Example Title

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1 Intro

Miranda-Agrippino and Rey (2020) explores the international transmission of monetary policy through global intermediaries and global asset prices, finding that there are powerful financial spillovers from US monetary policy to other countries'. In response to a US monetary policy (MP) shock they observe effects on the global financial cycle (GFC) as shown by significant fluctuations in financial activities, global banks deleveraging both domestically and abroad, increased aggregate risk aversion and a contraction of international credit. The authors' document the existence of a common factor in the GFC that accounts for 20% of the common variation in the price of risky assets worldwide.

Miranda-Agrippino and Rey (2020) identify MP shocks using market price revisions around the Federal Open Market Committee (FOMC) announcements, stating that, in a market with informational asymmetries, these surprises represent a reaction to the central bank conveying implicit information about market fundamentals.

Miranda-Agrippino and Ricco (2021) provides an empirical specification to account for information asymmetries that generate an "information channel" for MP. The authors state that an emerging feature of models with imperfect information is that high frequency instruments are predictable and autocorrelated, due to the sluggish adjustment of expectations. Therefore, they define MP shocks as the exogenous shifts in the policy instrument that are unforecastable and independent from the CB's information set about economic conditions. The instrument for MP shocks is constructed by projecting monetary surprises on their own lags and on the CB's information set.

With this identification strategy they find no output nor price puzzles. Furthermore, they find that a monetary contracion is unequivocally and significantly recessionary, with output contracting immediately and significantly, as well as prices, domestic demand, labor market conditions, investments and household wealth. There is evidence of a credit channel which magnifies these effects through credit and financial markets.

2 Application

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3 Discussion

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