

Giulia Fracas
Francesca Polini
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by Riccardo Olocco
/ CAST Foundry

OH! G.O.D.

Governors Of Demand

IUAV
Infodesign course
held by M. Ferrari
and I. Williams
A.A. 2015 / 2016



JANET YELLEN

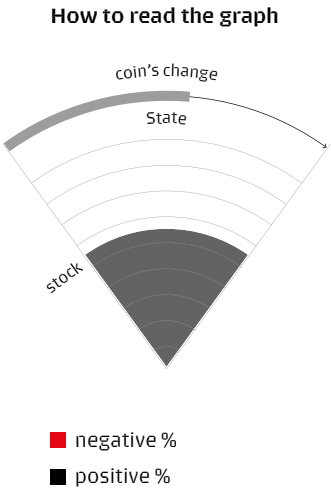
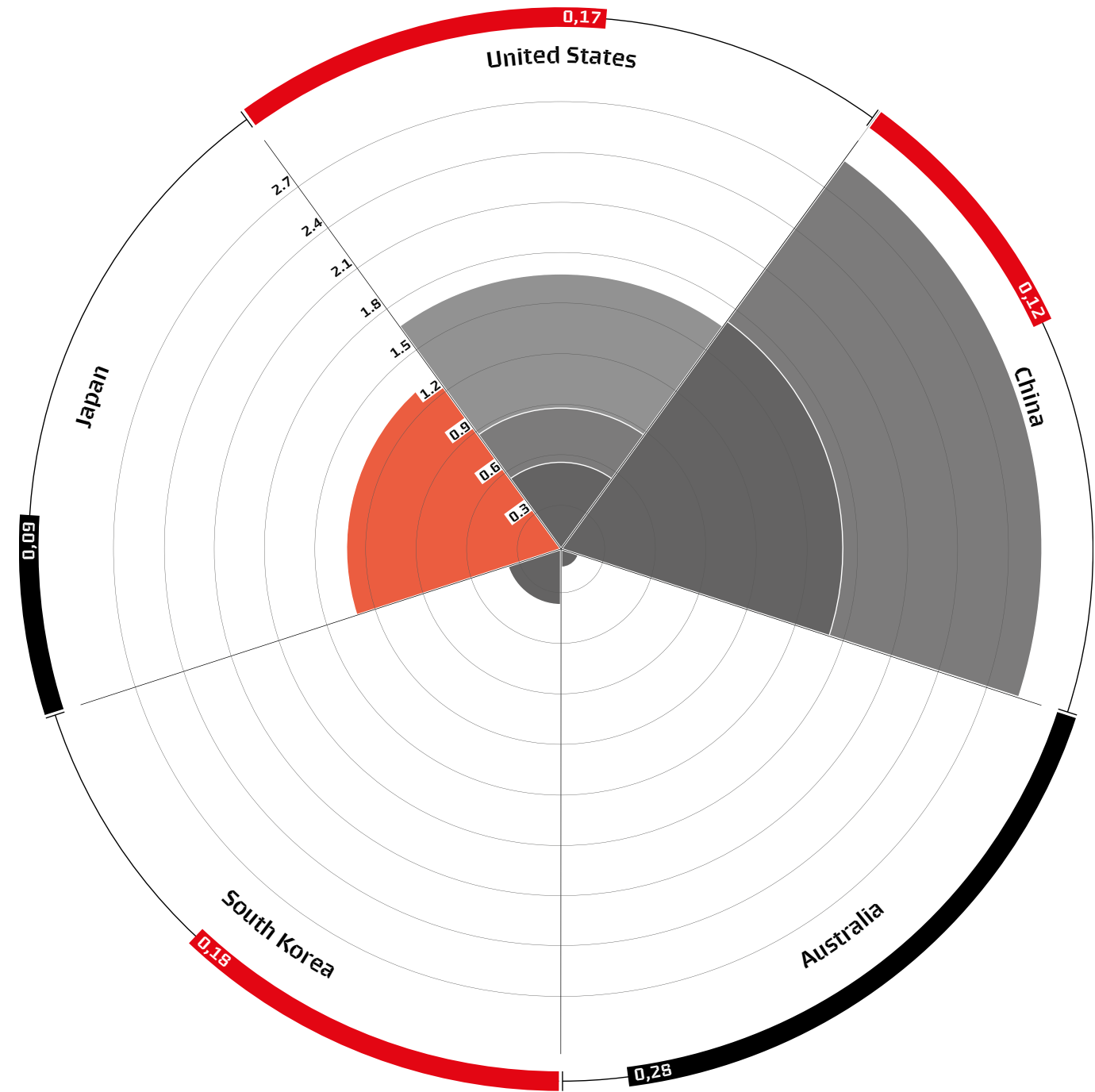
Global uncertainty justifies slower path of rate increases

The United States economy remained on track despite a rough start to the year because the drag from weak growth in other countries was being offset by lower borrowing costs. The Federal Open Market Committee's ability to use conventional monetary policy is "asymmetric". Reflecting global economic and financial developments since December, however, the pace of rate increases is now expected to be somewhat slower.

29 march 2016

The Fed's supremacy decisions

Janet Yellen gave her second speech of the month on Tuesday that attempted to encapsulate her's and the Fed's view of the state of the economy, as well as provide guidance for how the economy and Fed policy will perform in the future. It's not clear how well the market listened. Analysts described her speech as **dovish** – meanings that **Fed is likely to put off future interest rate hikes** – apparently based on the statement that “developments abroad imply that meeting our objectives for employment and inflation will likely require a somewhat lower path for the federal funds rate than was anticipated in December.” Markets saw her comments as dovish too. According to the CME group, the probability of a rate hike by next month's meeting **fell slightly, from 28.4% to 25%**.



Sectors conditioned

| Stock market | | | | | | | | | |
|---------------|------|-----------------|---------|-----------------|---------|-----------------|---------|-----------------|---------|
| Down Jones | 0.56 | SSE Composite | 1.67 | S&P/ASX 200 | 0.12 | Kospi | 0.36 | Nikkei 225 | -1.31 |
| S&P 500 | 0.88 | Hang Seng | 2.90 | | | | | | |
| Nasdaq | 1.67 | | | | | | | | |
| Currency | | | | | | | | | |
| 95.163/94.836 | USD | 6.49017/6.47408 | USD/CNY | 0.76261/0.76696 | USD/AUD | 1154.82/1150.68 | USD/KRW | 112.646/112.437 | USD/JPY |

Some things the Fed could do:

Negative interest rates
By the time they become a serious policy proposal, there will be enough negative feedback from Europe and Japan regarding negative interest rates there that it will scuttle any attempts to take them seriously as a policy tool in the US.

Price level targeting
Manipulate interest rates to target the price level at a certain level.

Nominal GDP targeting
Manipulate interest rates to target the nominal dollar value of the GDP, picking a certain growth rate, say 3% annual growth.

Raise inflation target of 2%
The Fed might choose to target an annual inflation rate of 3% or 4%, choosing to overshoot the 2% mark for a certain period of time in order to stimulate the economy.

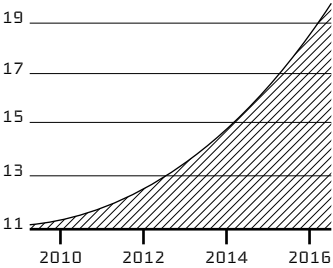
Helicopter money
How the Fed would actually do this and whether they actually have the legal authority to do this is a matter of debate.

Source: businessinsider.com

1 UNITED STATES

While she penalizes the dollar on the currency market, recently it wobbled. After two months of nightmare, the **US stock has reacted well**. For all three stocks would be the best monthly performance since October.

US Stock Market



Datas in million dollars
Source: tradingeconomics.com

2 CHINA

The Chinese central bank strengthened yuan fixing as dollar dropped after the speech. In the money market in that day, the Chinese central bank injected **\$9.2 billion (¥60 billion)** through seven-day reverse-repurchase agreement to maintain liquidity in the market. Over the past few months, the Chinese economy has been facing liquidity issue, prompting PBOC to conduct money market operation on daily basis.

The People's Bank of China set the yuan mid price at the strongest level in five days, at 6.4841 to the US dollar, **0.34% higher than the previous day**.

3 AUSTRALIA

S&P/ASX 200 index started off strong but tumbled in the last trading hour to just add six points, finishing up 0.12%.

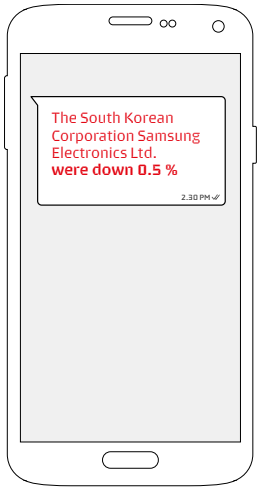
Health and utilities sectors provided support whereas energy and telecommunication sectors pressured the index.

Woodside Petroleum Limited and Santos Ltd. shares plunged down 2.55% and 0.37%, respectively, as **energy sector lost 1.54%**.

Resource sector also traded under pressure as Rio Tinto Limited and BHP Billiton Limited **shares fell** 0.36% and 0.54%, respectively.

4 SOUTH KOREA

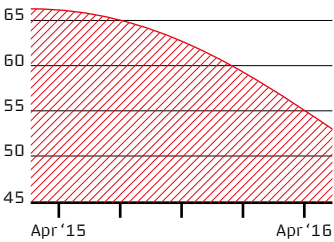
The South Korean won notched a 2016 high on Wednesday morning after US FED Chair Janet Yellen speech. The won is likely to continue extending its gains in the near-term and find its footing at around the **1,140.0 level**. The risk-off sentiment could still crop up given a shaky global oil price and a strengthening Japanese yen.



5 JAPAN

The yen, which typically moves at odds with Japanese shares, was steady at 112.74 per dollar following a 0.7 percent bounce Tuesday that snapped its seven-day decline. The Japanese currency is headed for a **0.1% drop in March**, after surging in February. The yen now has to contend with negative rates not having the desired effect, the Bank of Japan assessing other unconventional monetary policy options and a US central bank unlikely to raise rates.

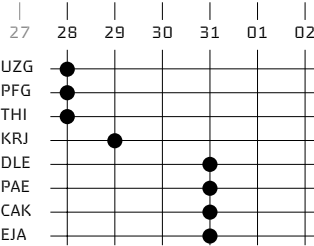
Japan Exports



Datas in million
Source: tradingeconomics.com

Central Banks
week's meetings

From March 28th to April 2nd, central banks from 8 countries or jurisdictions are scheduled to decide on monetary policy: Israel, Angola, Kyrgyzstan, Sri Lanka, Czech Republic, Romania, Moldova, Fiji



Inflation rate score

| | | |
|---------------|-----|-----|
| United States | 1.0 | 1.4 |
| China | 2.3 | 1.8 |
| South Korea | 1.0 | 1.3 |
| Australia | 1.7 | 1.5 |
| Japan | 0.3 | 0.0 |

Inflation is the rate at which the general level of **prices for goods and services** is rising and, consequently, the **purchasing power of currency is falling**. Central banks attempt to limit inflation, and avoid deflation, in order to keep the economy running smoothly.

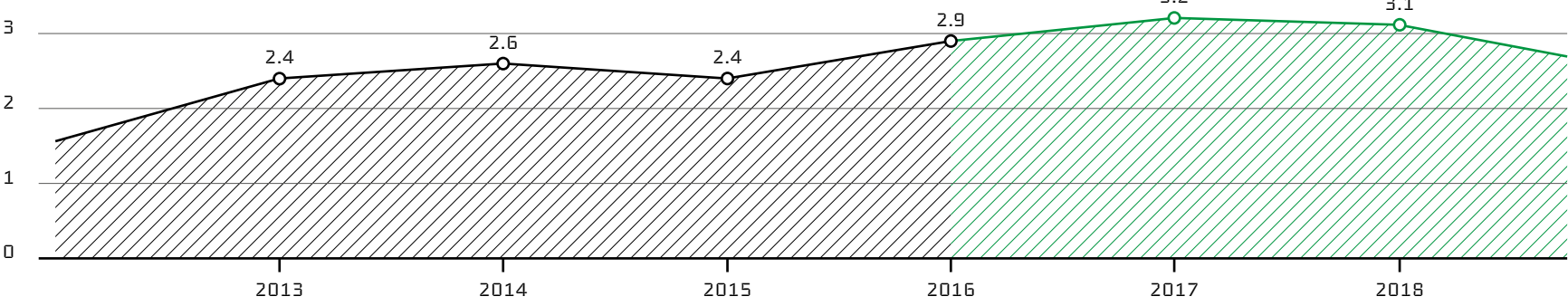
Global indicators

GMPR - Global monetary policy rate
6.23%

Total rate cuts (in Basis Point)
657.5

Total rate rises (in Basis Point)
700

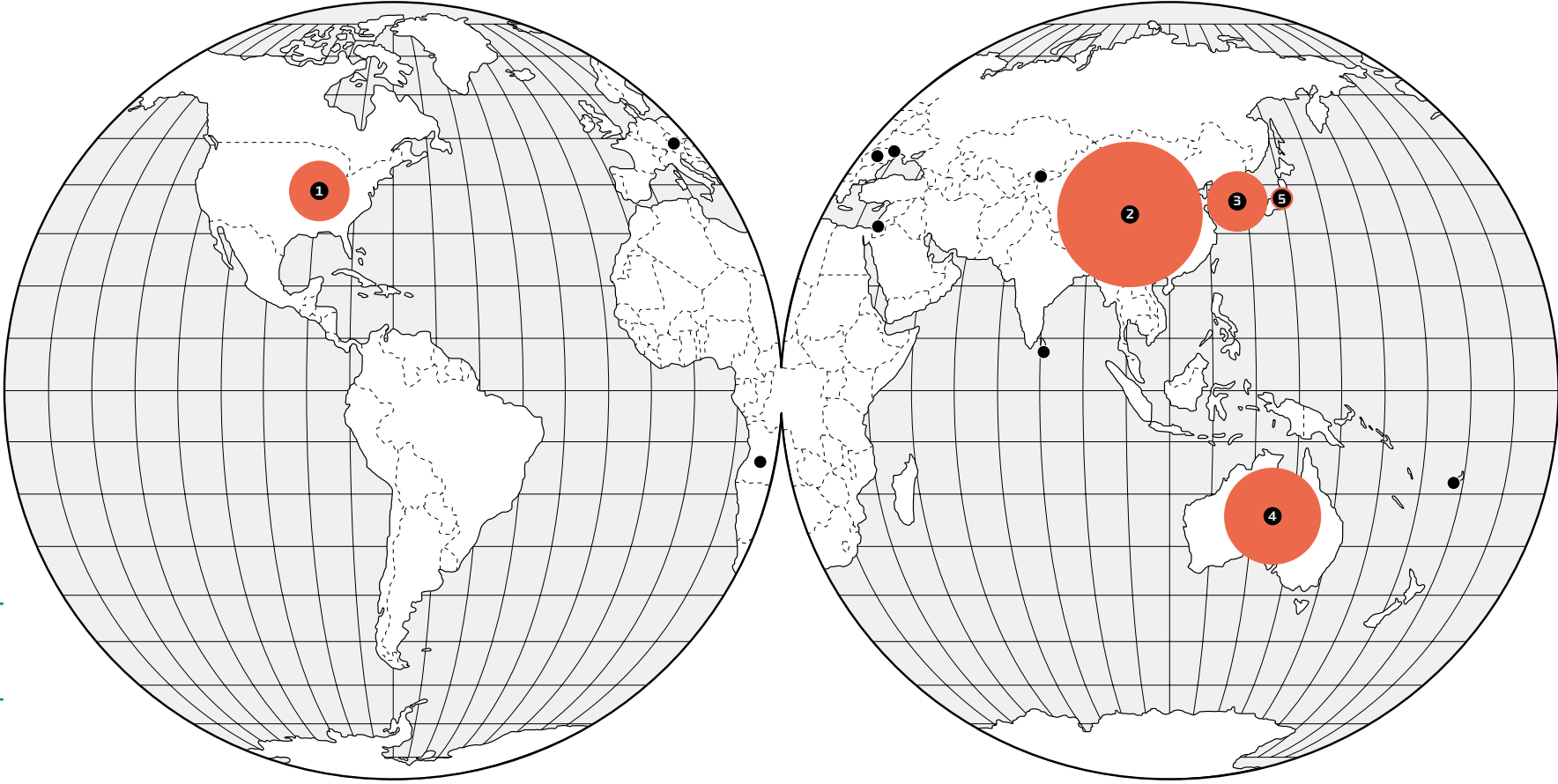
The World's slow growth



Global growth continues, but at a sluggish pace
The world economy is exposed to risks. International Monetary Fund Managing Director Christine Lagarde warned that the recovery remains too slow, too fragile, with the risk that persistent low growth can have damaging effects on the social and political fabric of many countries.

Global growth is projected to reach 2.9% in 2016, as a modest recovery in advanced economies continues and activity stabilizes among major commodity.

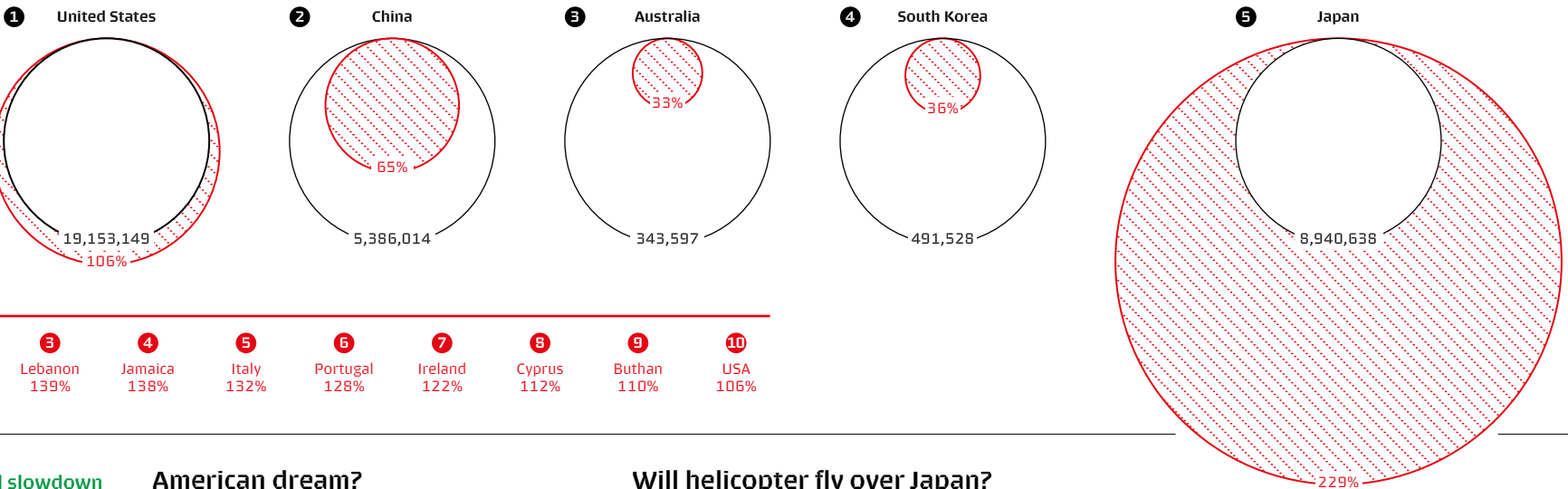
Forecasts is subject to downside risks, including a sharper slowdown in major emerging and developing economies.



How bigger is your debt?

By looking at level of gross government debt as a percentage of GDP, it can indicate how able a country is to pay back debts without incurring further debt.

○ GDP in US \$
⊘ Debt as % of GDP



10 most indebted countries

| | | |
|----|----------|------|
| 1 | Japan | 229% |
| 2 | Greece | 173% |
| 3 | Lebanon | 139% |
| 4 | Jamaica | 138% |
| 5 | Italy | 132% |
| 6 | Portugal | 128% |
| 7 | Ireland | 122% |
| 8 | Cyprus | 112% |
| 9 | Buthan | 110% |
| 10 | USA | 106% |

Despite what appears to be a global slowdown in 2016, a number of the largest economies are expected to carry the global economy as emerging markets fluctuate.

United States

Is the largest economy in the world and keeps the world spinning. Besides being home to the biggest financial hub in the world, the U.S. economy is a leader in a number of facets in the global landscape.

China

Despite the bearish expectations surrounding China, the second-largest economy is not on the brink of a financial crisis. The challenges which have plagued China to this point in 2016 come amid a transition from an export-led economy to a consumption based economy.

India

Compared to most other major developing countries, India has positioned itself to withstand the near term volatility.

European Union

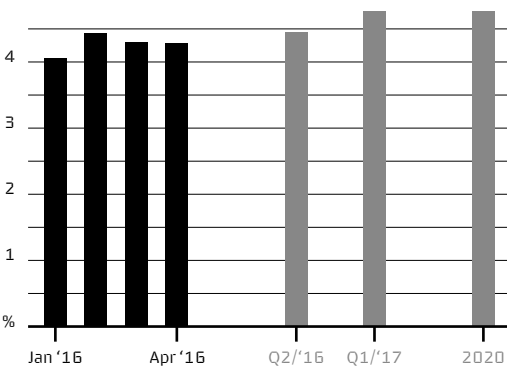
As the economy continues to wane, experts have predicted an end to the Eurozone if another financial crisis were to strike. That being said, there remain a few bright spots amongst the members that make up the European Union.

Source: investopedia.com

American dream?

Employment growth remains strong but wages grew a mere **2.3% compared to a year ago**. It's especially disappointing because the economy has added millions of jobs in the last two years. When job growth increases, wages tend to follow with it.

USA wages and salaries growth



Source: tradingeconomics.com

One reason for **mediocre wage growth** is the number of Americans who want full-time work but can only find part-time jobs. That's a key reason why **underemployment** - which combines unemployment and people looking for better jobs - remains high.

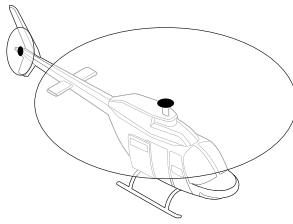
Will helicopter fly over Japan?

First, the quantitative and qualitative easing (QQE), and then the negative interest rate policy (NIRP). Now observers are speculating that it should be **helicopter money** the next move BoJ.

Helicopter money or Quantitative easing?

Helicopters dropping money it's a **vivid metaphor for a drastic form of central bank stimulus** that is gaining attention as a possible way to help the global economy out of its malaise. Helicopter money gets around that dependence on banks. It aims to **put the money directly into circulation**. It's supposed to be accompanied with a guarantee that it is a permanent addition to the money supply — unlike quantitative easing, which central banks say they eventually intend to unwind.

Under quantitative easing, central banks buy government bonds from commercial banks. Central banks pay for the bonds by electronically increasing the amounts of money in the accounts that the commercial banks are required to hold at the central bank. When the account balance goes up, new money is created.



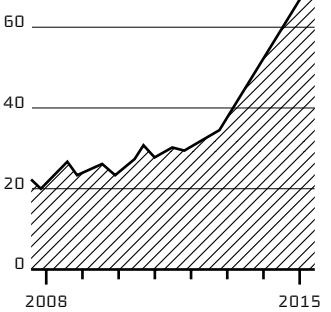
Purposes of helicopter money drop

- Increase money supply
- Target higher inflation
- Increase aggregate demand

Big spender

Under BOJ Governor Haruhiko Kuroda, the bank undertook an initial round of QE in 2013 that doubled its balance sheet. But with inflation continuing to stagnate at well below 1 percent, the bank has moved into a second, open-ended phase of QE consisting of **\$660 billion in yearly asset purchases** that Kuroda says will continue until the 2% inflation target is achieved.

Assets holdings as a percentage of GDP



Source: cfr.org