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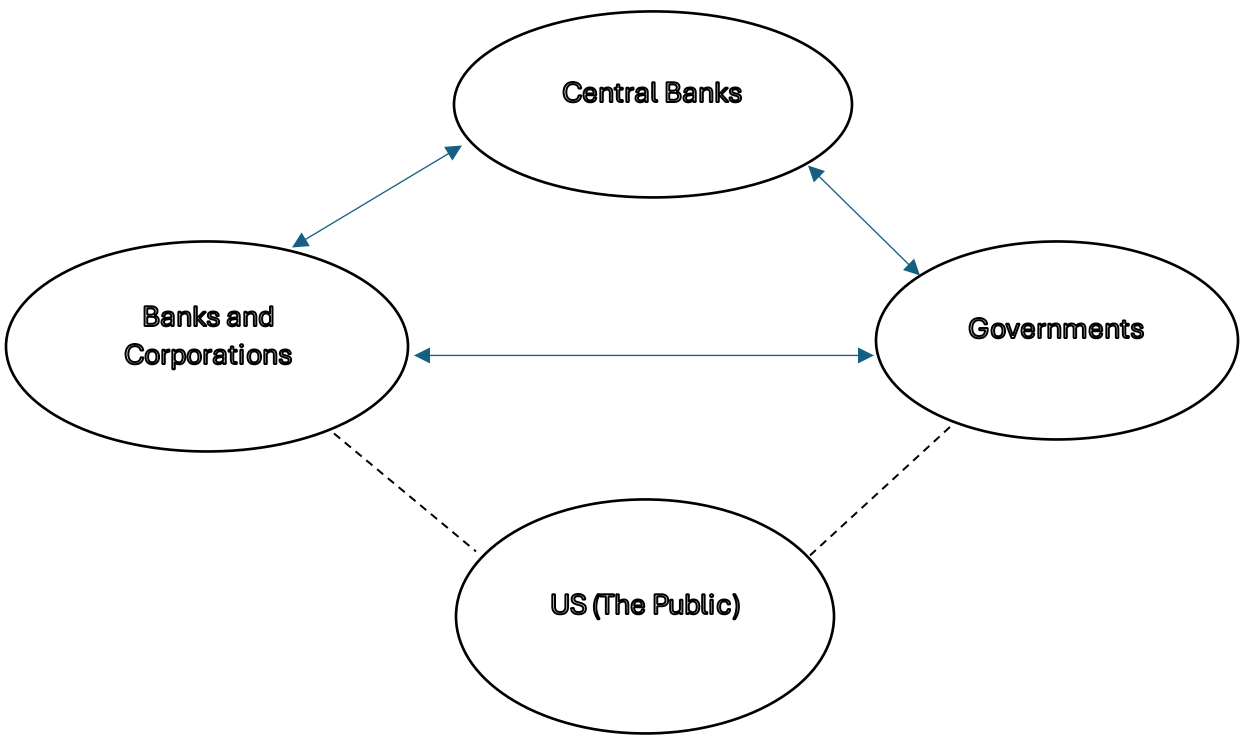
CENTRAL BANKS STUDY

Central banks are essentially the dictators of a country's currency.

Alongside the government, the central banks work hand in hand and have power to dictate the supply, potentially demand, and value of a country's currency through financial and banking services provided to the country.

Central banks dictate credit allocation to companies, lending rates (Interest rates), money supply, impact financial instrument through monetary policy tools and more.

The central banks and government can increase money supply or change lending rates at a simple choice usually disguised as an economic crash catalyst.



What to consider?

- Impact of money supply changes to currency and economic data.
- Impact of interest rate changes on a currency, economy and markets.
- Impacts of programs such as QE and APP.
- Central banking psychology and pricing in.

Money Supply Changes

When supply for a currency is high and demand is low, this will increase inflation and decrease the value of the currency.

Conversely, a lower supply and higher demand for a currency will increase price of the currency and combat inflation.

Central banks can change money supply simply off a decision usually induced by a fundamental catalyst. For example, for the catalyst of US lockdowns, leading to weak economy the Feds exponentially increased money supply for the APP, QE, government spending and wage stimulus. Interest rates slow down to almost zero in such situations. With the Feds increasing money supply, and having interests low at the same time, low prices on asset classes to a crash point and Central bank support, we see the money printing lead to huge inflation, stock market rally, oil rally and USD devalued for the period.

Primary Quick Basic Cheat-Sheet

- Low interest rates and high money supply = Higher economic inflation, weakens currency but strong stock markets and other asset classes.
- High interest rates and Controlled money supply = Controlled economic inflation, stronger currency but weaker stock markets and other asset classes.

But this is not enough as the markets move on anticipation hence the pricing in concept and hence why central banks concepts/signals are important.

Central Banking Psychology

Central Banking Psychology, Signals and rumors are so important that even the tone of the speeches of the Feds/FOMC members is categorized as either Hawkish, Dovish or Neutral.

Hawkish being a more positive stance towards economic strength, economic activity and raising/controlled interest rates.

Dovish being a more negative stance towards economic health and keeping interest rates low.

Neutral is neither dovish nor hawkish. (Having double stands).

This is why the central bank teams are made up of a collection of individuals who are on different sides of tone to keep the markets always guessing what is to come.

The central bankers then know and acknowledge the moves on their word before their actions.

Also, not to forget how much down the line the central bank policies impact from inflation, government spending, interest rates, economic activity and more.

What the government and central bank says to the public is nothing but a show/illusion to hide what is going on behind the scenes with major money moves.

Pandemic and Central Bankline Timeline and Analysis.

The stock market crash is inverse of the dollar.

QE= Quantitative Easing.

Fed's Actions

- Interest rates cuts
- QE
- Asset Purchase
- Stimulus

The Fed does that to:

- To make sure stock market does not crash.
- To make sure people who lost their jobs survive in the economy.
- To pump the market through bond purchases.
- Increase supply of the dollar. (Increase in supply = Decrease in value).

The end

Special thanks and regards to Capital Hungry.

Link: https://www.youtube.com/watch?v=Nx_qGuE8GEg