

Discussion of

Global implications of multi-dimensional US monetary policy normalization

by G. Georgiadis & M. Jarocinski

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Bank of England, CEPR, and CfM

CEBRA 2022

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 - * Short-run restrictions [Sims 1980, Christiano et al (2005),...]
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 - * Sign-restrictions [Uligh (2005),...]
 - * High-frequency [Kuttner (2001), Gurkaynak et al (2005), Gertler-Karadi (2015),...]

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- ▶ ...but with still open questions and puzzles to be resolved
 - * Multidimensional policy toolkit (forward guidance, QE,...)
 - * Validity of identification assumptions
 - * State dependence of the effects

Industry standard

The high frequency approach

- ▶ Consider the high-frequency surprise s_t in an asset price around a FOMC meeting

Traditional approach

$$s_t \approx \epsilon_t^{MP}$$

Two independent spin-offs

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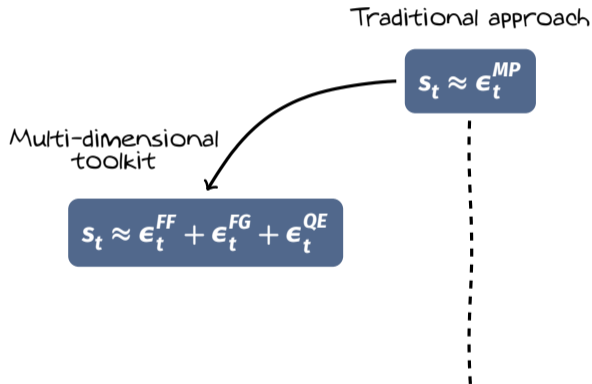
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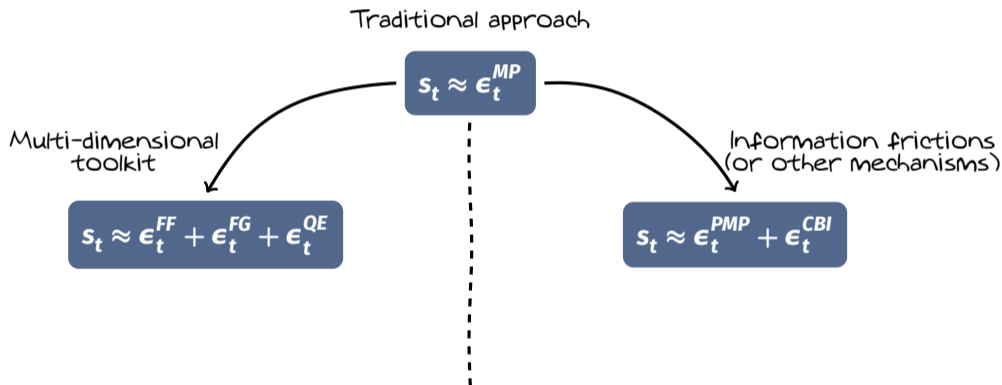
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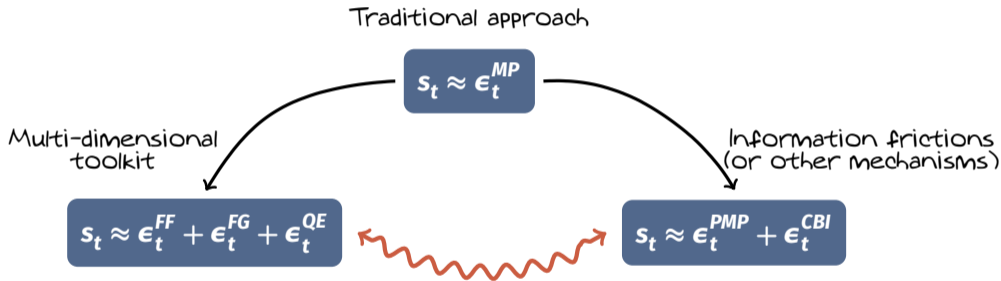
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This paper

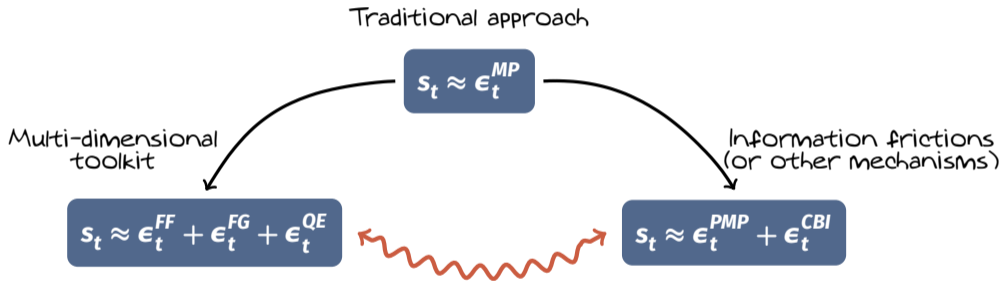
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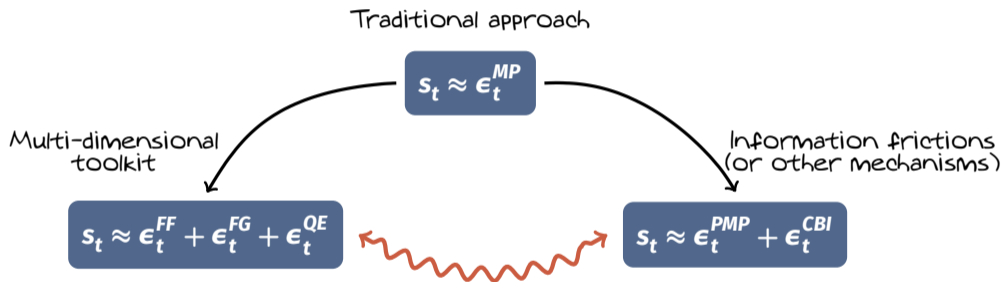


[1] Jointly accounts for both dimensions

[2] Revisits evidence on US MP spillovers

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- [1] Jointly accounts for both dimensions
- [2] Revisits evidence on US MP spillovers
- [3] Considers state dependence of each shock

Three comments

[# 1] **Identification**

[# 2] **Asymmetric spillovers of Delphic guidance**

[# 3] **State dependence**

Three comments

[# 1] **Identification**  *Probably more for Marek's paper, but impossible to resist*

[# 2] **Asymmetric spillovers of Delphic guidance**

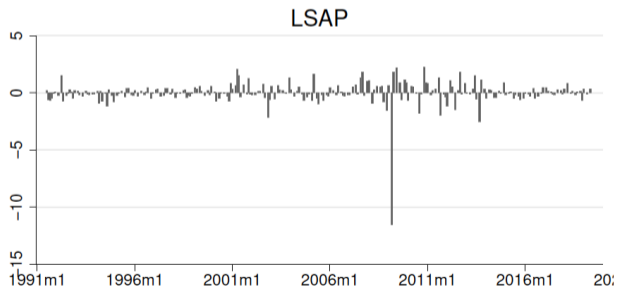
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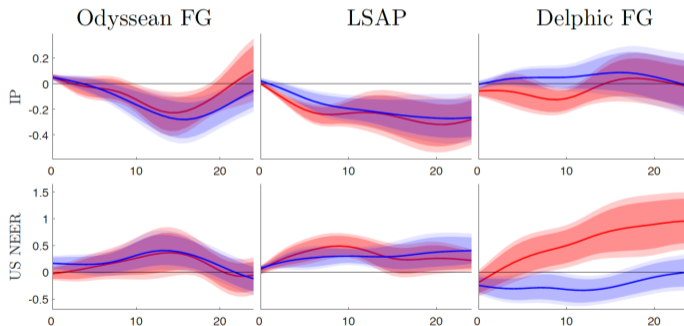
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[#] Identification

- ▶ Identification is 'agnostic' → Shocks have to be interpreted ex post
- ▶ **A non-ideal feature** Non-negligible LSAP shocks before 2009
 - * Standard deviation of shocks in 2001-2008 and 2010-2019 periods roughly similar
- ▶ **Question** Is it possible to impose restrictions such that $\epsilon^{LSAP} = 0$ before 2009?
 - * Subsamples: Extract only 3 shocks in pre-2009 sample, and 4 shocks after that
 - * Restrictions: Embed a zero restriction in the statistical approach

[# 2] Asymmetric spillovers of Delphic guidance

- ▶ Delphic tightening is expansionary for EMs and contractionary for AEs
 - * Key channel is appreciation vs AEs and depreciation vs EMs → Risk-on effects of Delphic guidance



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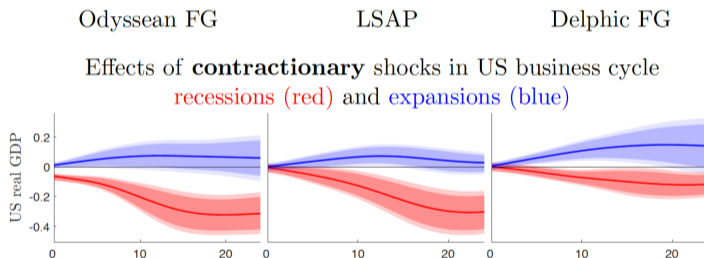
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 - * All shocks lead to counter-cyclical movements in risk aversion and spreads
- ▶ **Observation** In Cesa-Bianchi and Sokol (2021) we find that Delphic guidance shocks (identified a la Jarocinski-Karadi) are slightly expansionary for the UK
 - * Shouldn't the Jarocinski-Karadi (2020) and Jarocinski (2021) approaches recover the same Delphic guidance shocks?
 - * Are there particular countries driving the contractionary effects in AEs?

[# 3] State dependence: Asking too much from the data?

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 - * Is there enough variation for precise estimates?

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- ▶ State-dependent LPs in recessions and expansions
- ▶ **Question** What does justify the (puzzling?) change of sign relative to average effect?
 - * E.g.: An Odyssean guidance contractionary shock leads to an increase in GDP in expansions
 - * Is there enough variation for precise estimates?
- ▶ **Suggestion** Complement with evidence from daily event studies
 - * Equities, corporate bond spreads,...
 - * Better identification, more precise estimates

In sum

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- ▶ Great paper → Joint characterization of multi-dimensional toolkit and info effects very welcome!
- ▶ Very rich set of results, lots to learn
- ▶ My suggestions
 - * Develop more some intuitions/explanations
 - * Further work to confirm/robustify state dependence

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