

Discussion of:

**'The Global Transmission of U.S. Monetary Policy'
by Degasperri, Hong, Ricco**

Marek Jarociński, *European Central Bank*

June 2021

The views expressed here are solely those of the author and do not necessarily reflect
the views of the ECB

What this paper does

Estimates the effects of Fed monetary policy shocks across 30 countries

- Identification: high frequency, purging **central bank info. effects**
- 30 Bayesian VARs with US block + non-US block
 - Compare IRFs across income levels, exchange rate regimes, capital regulation, dollar exposure in invoicing and finance
- Mundell-Fleming type model do discuss the results

Findings

- Strong spillovers across the world, through financial channels (Rey, 2013 and follow-up).
- Flexible exchange rate does not insulate (Corsetti et al. 2020).
- Domestic monetary policy does not insulate - risk premia move against (Kalemli-Ozcan, 2019 and others).
- More dollar exposure leads to stronger spillovers. Capital controls insulate a bit.
- Nominal spillovers work through the oil/commodity price channel.

Feature worth highlighting

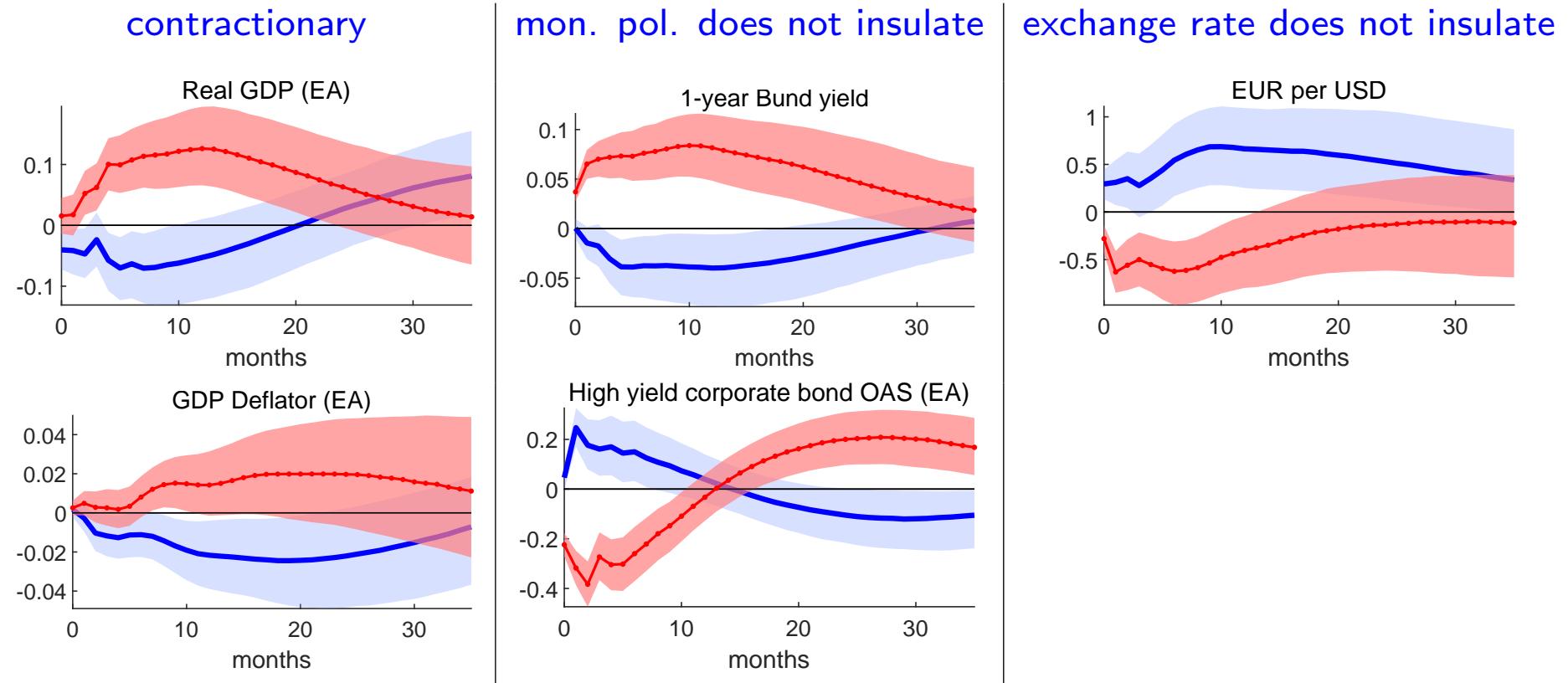
- Homogeneous empirical framework for studying many different countries and variables
 - Differences are not due to different specifications

Open question

- How specific are these findings to Fed monetary policy shocks?
Do other US shocks generate similar international spillovers?
- E.g. Cesa-Bianchi and Sokol (2021): US financial shocks also generate similar international spillovers.
- Fed information effects that Degasperri et al. purge also generate similar international spillovers.

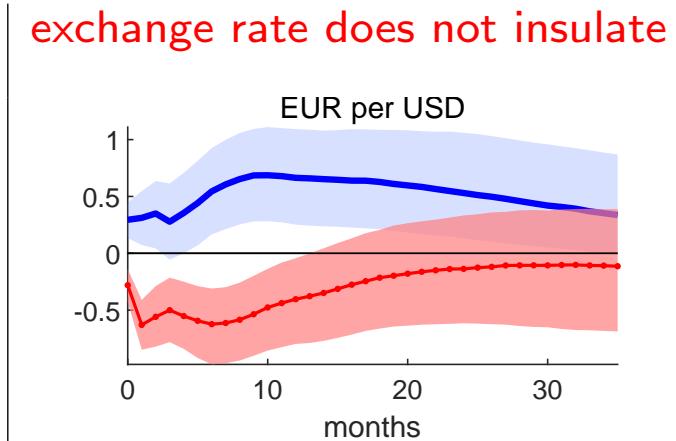
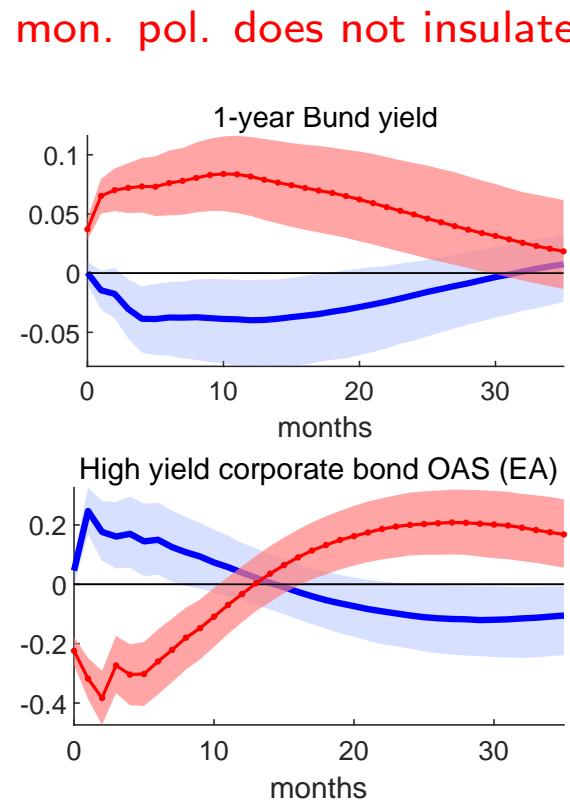
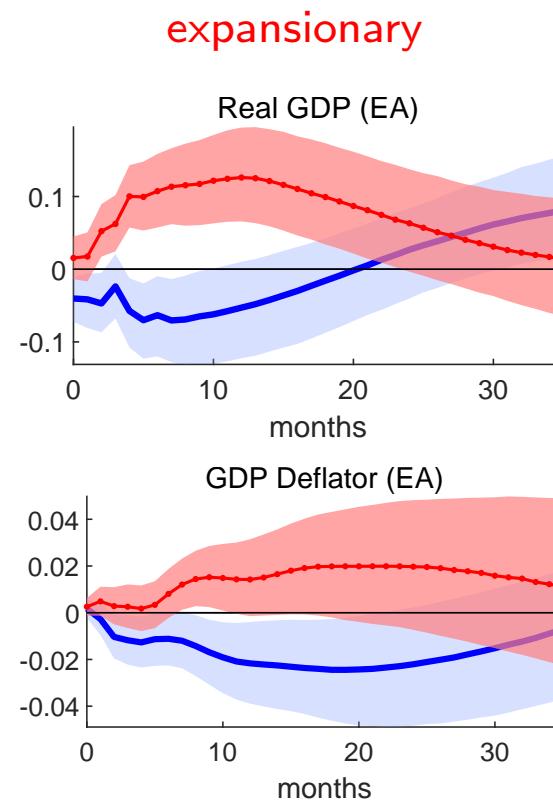
information effects = interest rate hike shows that Fed is bullish about the economy → agents become more bullish as well

Spillover of Fed monetary policy shocks and Fed information effects to the euro area



Source: Jarociński (2021) Central Bank Information Effects and Transatlantic Spillovers

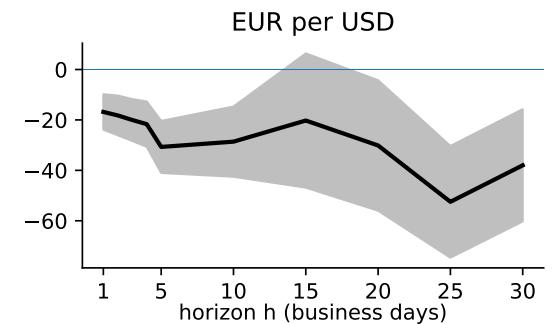
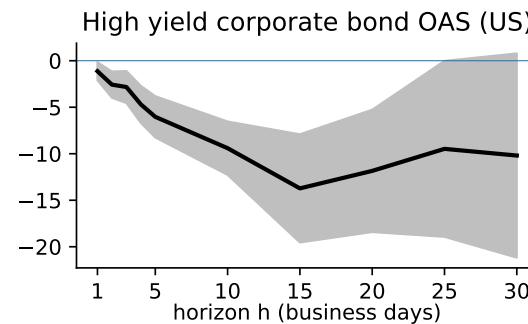
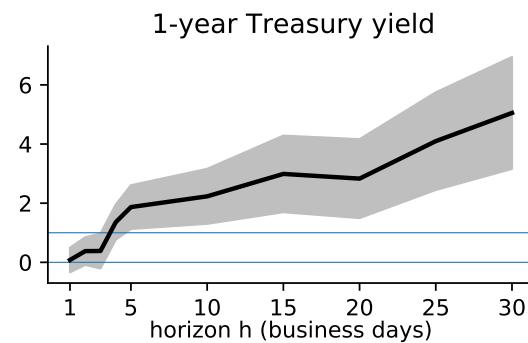
Spillover of Fed monetary policy shocks and Fed information effects to the euro area



Source: Jarociński (2021) Central Bank Information Effects and Transatlantic Spillovers

Spillover of information effects \approx spillovers of macro data surprises

Positive surprise in the Eurozone industrial confidence (actual > Bloomberg survey) \rightarrow US financial variables



Source: Jarociński (2021) Central Bank Information Effects and Transatlantic Spillovers

Summary

- Comprehensive picture of the spillovers of Fed monetary policy shocks across 30 countries on a wide range of variables
 - Compare spillovers across income levels, exchange rate regimes, capital regulation, dollar exposure in invoicing and finance
 - Unified empirical framework
- Comment: many of the findings may apply more generally to the spillovers other important shocks through integrated global financial markets.