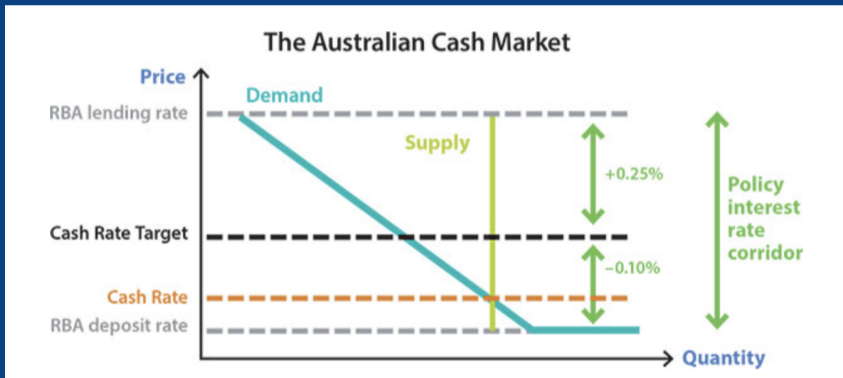


Lecture Review: Conventional Monetary Policy





Lecture Review: Unconventional Monetary Policy

Forward Guidance



Lecture Review: Unconventional Monetary Policy

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- ▶ Under 'state-based guidance', the central bank commits to a stance of monetary policy until a specific set of economic conditions are met.



Lecture Review: Unconventional Monetary Policy

Quantitative Easing (Asset Purchases)



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- ▶ A quantity target for asset purchases is also known as quantitative easing (QE).
- ▶ A common theme has been the desire to lower interest rates on risk-free assets (such as government bonds) across different terms to maturity of those assets - that is, across the yield curve.



Lecture Review: Unconventional Monetary Policy

Term Funding Facility



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- ▶ Term funding facilities also incentivise financial institutions to lend to households and businesses.



Lecture Review: Unconventional Monetary Policy

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- ▶ Post-GFC, nominal interest rates (Euro, Japan, Switzerland, Sweden, Denmark) have been negative.
- ▶ Commercial banks face a crunch as they are unable to pass on negative interest rates to their depositors.