

Discussion of “Monetary Policy Transmission in Emerging Markets: Proverbial Concerns, Novel Evidence”, Checo, Grigoli, and Sandri

Gaston Navarro¹

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¹Federal Reserve Board

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These views are those of the authors and not necessarily those of the Board of Governors or the Federal Reserve System.

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- + Issue is **identification** . . . especially for EME

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- + Issue is **identification** ... especially for EME
- + **This paper:** new measure of *mp* shocks for a panel of 18 EME
 - o **Main result:** *mp* shocks in EME and AE look alike ...
 - o ... both for macro and micro effects
 - o Impressive work of measurement!

My discussion

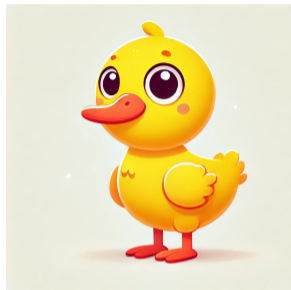
- 1) A “duck test” for *mp* shocks
- 2) Brief review of measurement of *mp* shocks
- 3) Results using Checo-Grigoli-Sandri
- 4) Final thoughts

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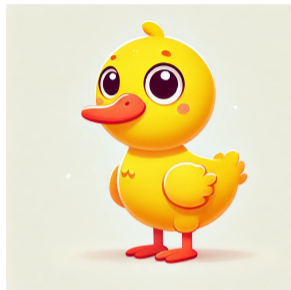
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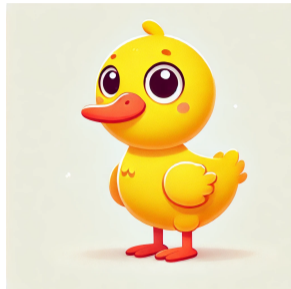
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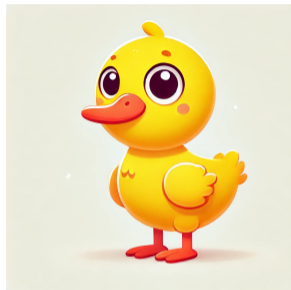
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- o \downarrow π and \downarrow ner with **monetary dominance**
- o could be \uparrow π with **fiscal dominance** Witheridge (2024)



Estimating *mp* shocks in AE: A Review

1) A “Taylor rule” approach

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- o $f(\cdot)$ often linear, arguments imply identification (VAR-Cholesky)

- ✗ Issues: identification assumption, price puzzle

→ (Bernanke & Blinder, 1992), (Christiano, Eichenbaum, Evans, 1999), (Uhlig, 2005)

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2) A high-frequency identification (HFI) approach

- o *mp* shock identify by changes in asset prices around policy announcements

- ✓ direct *mp* shock measure, fewer identifying assumptions

→ (Cochrane & Piazzesi, 2002), (Faust, Swanson, Wright, 2004), (Gertler & Karadi, 2015), (Nakamura & Steinsson, 2018)

Checo-Grigoli-Sandri estimation of mp shocks

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 - o Analyst can update forecast with arrival of new information
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- ⇒ mp shock is the (average) forecast error

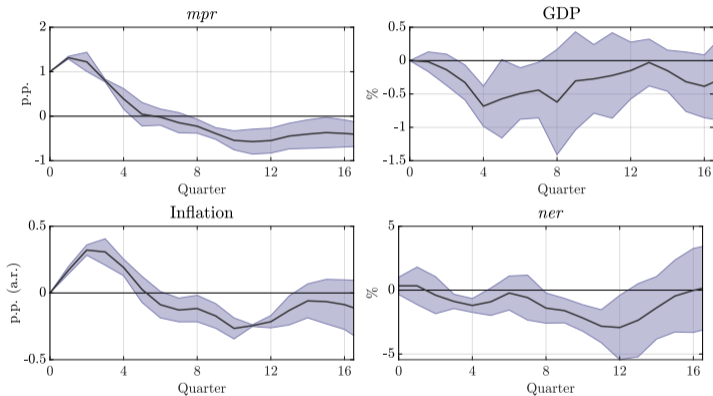
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Next: “Taylor rule” approach vs CGS

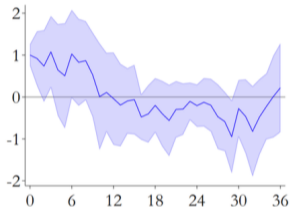
mp shock in EME: “Taylor rule” vs Checo-Grigoli-Sandri



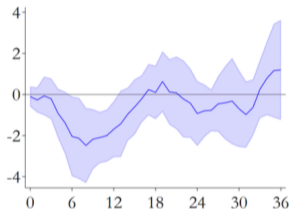
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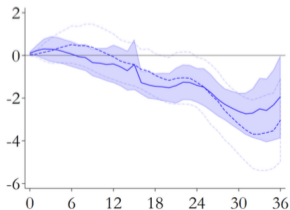
(a) 1-year govt. bond yield



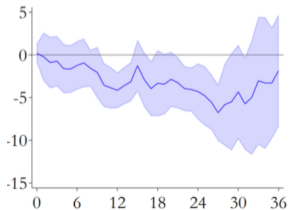
(b) Industrial production



(dashed) CPI



(f) Exchange rate



✗ “Taylor rule”: an ugly duck

o π hard to explain

✓ CGS looks like a duck!

o π and *ner* looks good

o effects are large ...

$\downarrow Y \approx 2\%$, $\downarrow \pi \approx 3pp$, $\downarrow ner \approx 5\%$

Final thoughts

- 1) Validation of *mp* shocks
 - o Using US data
 - o Can the analyst forecast?

- 2) Separate “information effect” of *mp* shocks
 - (Nakamura & Steinsson, 2018), (Jarociński & Karadi, 2020), (Bauer & Swanson, 2023)

- 3) Cross-country heterogeneity?

- 4) Compare with other *mp* shocks. What differs?
 - o Relative to the Taylor rule approach
 - o Relative to [Wetheridge \(2024\)](#)

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Thank you!!