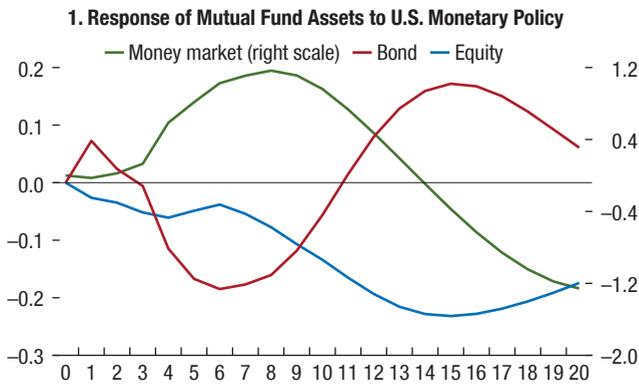
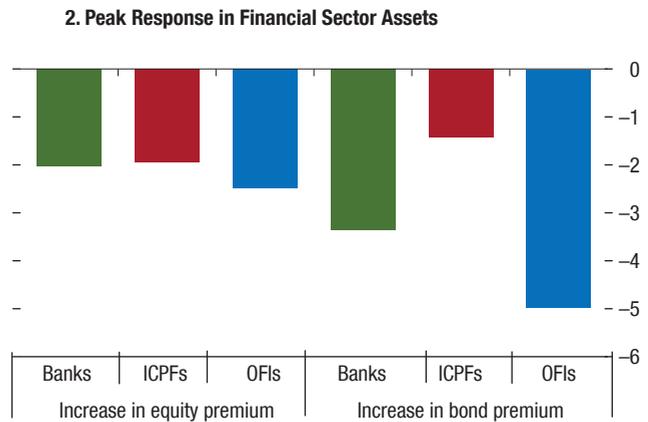


Figure 2.8. Risk Taking and Monetary Policy in the United States
(Percent)

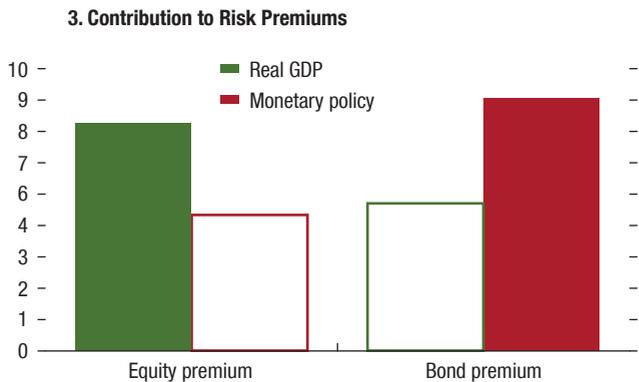
U.S. mutual funds display behavior consistent with the risk-taking channel of monetary policy.



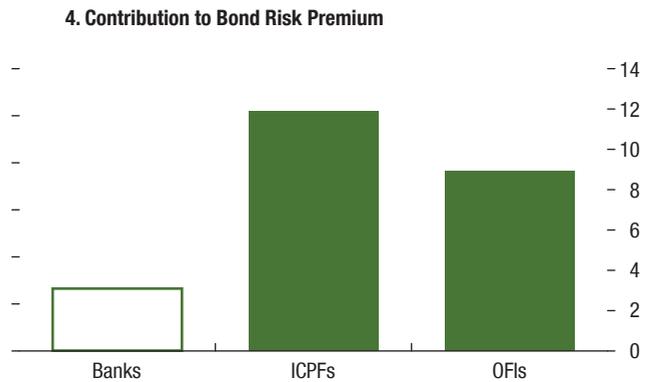
All financial intermediaries are affected by changes in risk premiums in the United States.



U.S. monetary policy seems to matter more for risk appetite in fixed income markets.



Nonbanks contribute more to the behavior of the excess bond premium in the United States.



Sources: Federal Reserve System; Haver Analytics; Organisation for Economic Co-Operation and Development; and Thomson Reuters Datastream.
 Note: Panel 1 shows the response of total assets net of valuation by type of mutual fund to an orthogonal monetary policy innovation. The response is estimated with a vector autoregression (VAR), which also includes real GDP, the GDP deflator, shadow rate, total assets for the banking, and insurance and pension sectors, and a trend with a break in the postcrisis period. Panel 2 shows the peak response of each variable on the x-axis to orthogonal shocks to the equity and bond premiums. The VAR, in this case, includes real GDP, the GDP deflator, total assets for each financial subsector, the U.S. shadow policy rate from Ichiue and Ueno 2016 to take into account the use of unconventional monetary policy, the Gilchrist and Zakrajšek 2012 excess bond premium, and the equity risk premium from Absolute Strategy Research. Panel 3 shows the contribution of real GDP and monetary policy to the behavior of risk premiums, using a 16-quarter-ahead forecast-error variance decomposition based on the preceding VAR (solid bars are statistically significant at the 68 percent level). Panel 4 shows the contribution of each financial subsector to the behavior of the excess bond premium, using the same method as in panel 3. ICPFs = insurance companies and pension funds; OFIs = other financial intermediaries. See Annex 2.1 for details.