



Market Implications from Unconventional Monetary Policies

Lawrence Goodman

President – Center for Financial Stability

**Remarks at “Reflections on Global Financial Crisis: Causes, Aftermaths and Solutions”
Shanghai Development Research Foundation (SDRF)**

Shanghai, China
September 5, 2017

CENTER FOR
FINANCIAL
STABILITY



Bold • Innovative • Practical

The Problem...Now...



“Never before” has there been such:

- Large scale **intervention** by central banks and governments,
- Growth in the financial **regulator apparatus and labyrinth of rules** governing markets,
- **Distortions** across a wide range of financial markets.

“The Unwind: What’s Next for Global Markets”

Center for Financial Stability

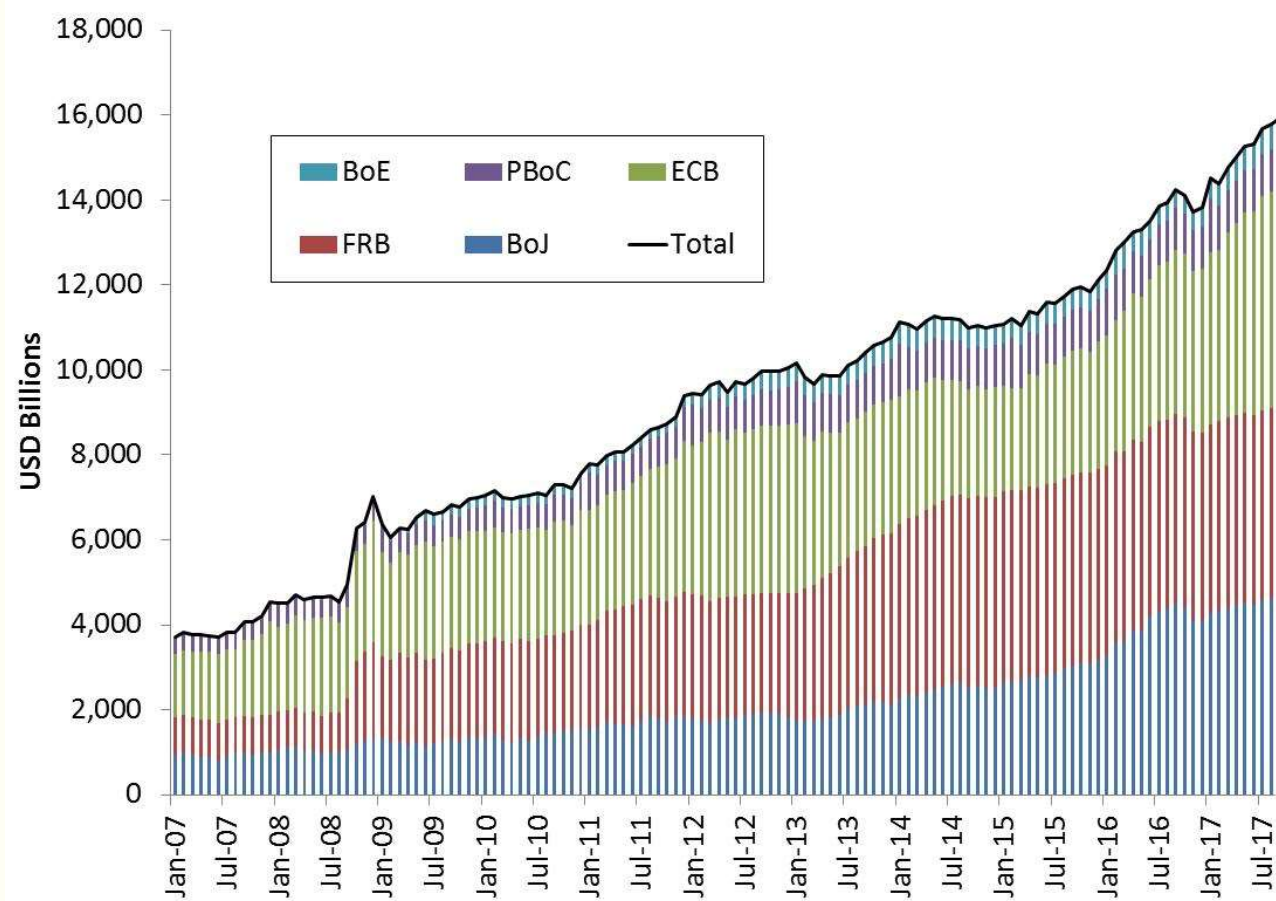
May 27, 2015

http://www.centerforfinancialstability.org/speeches/unwind_052715.pdf

CENTER FOR
FINANCIAL
STABILITY



Major Central Bank Balance Sheet Expansion



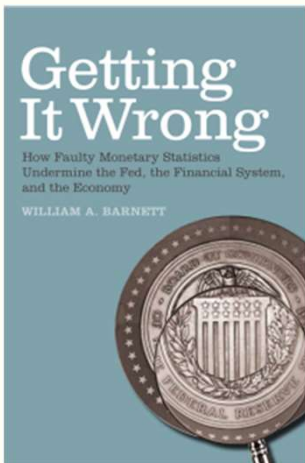


Bold • Innovative • Practical

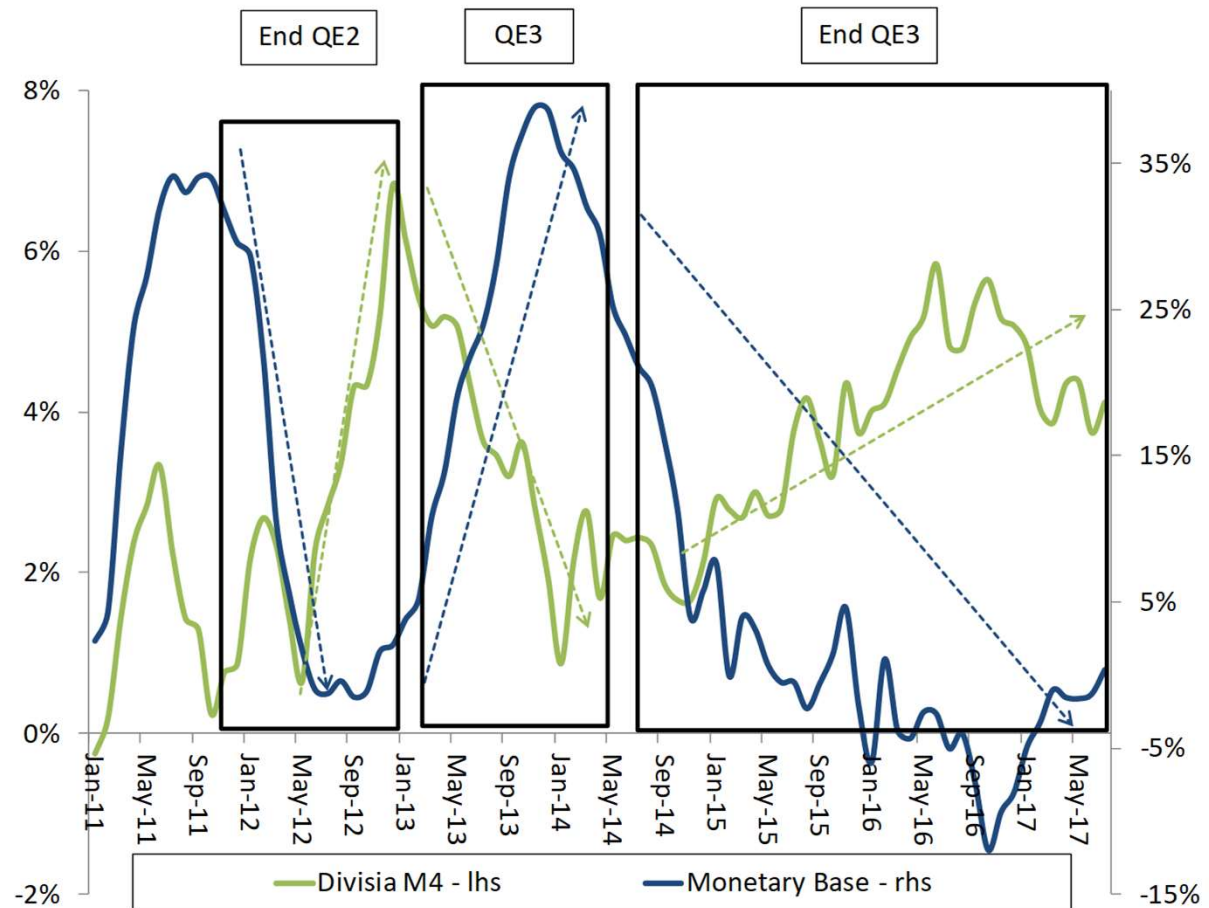
It's the Financial System that Matters: Monetary Ease and CFS Divisia Financial Data (y/y)

*"There is too little
economic risk-taking,
and too much **financial**
risk-taking."*

Christine Lagarde
Managing Director, IMF
October 12, 2014



CENTER FOR
FINANCIAL
STABILITY

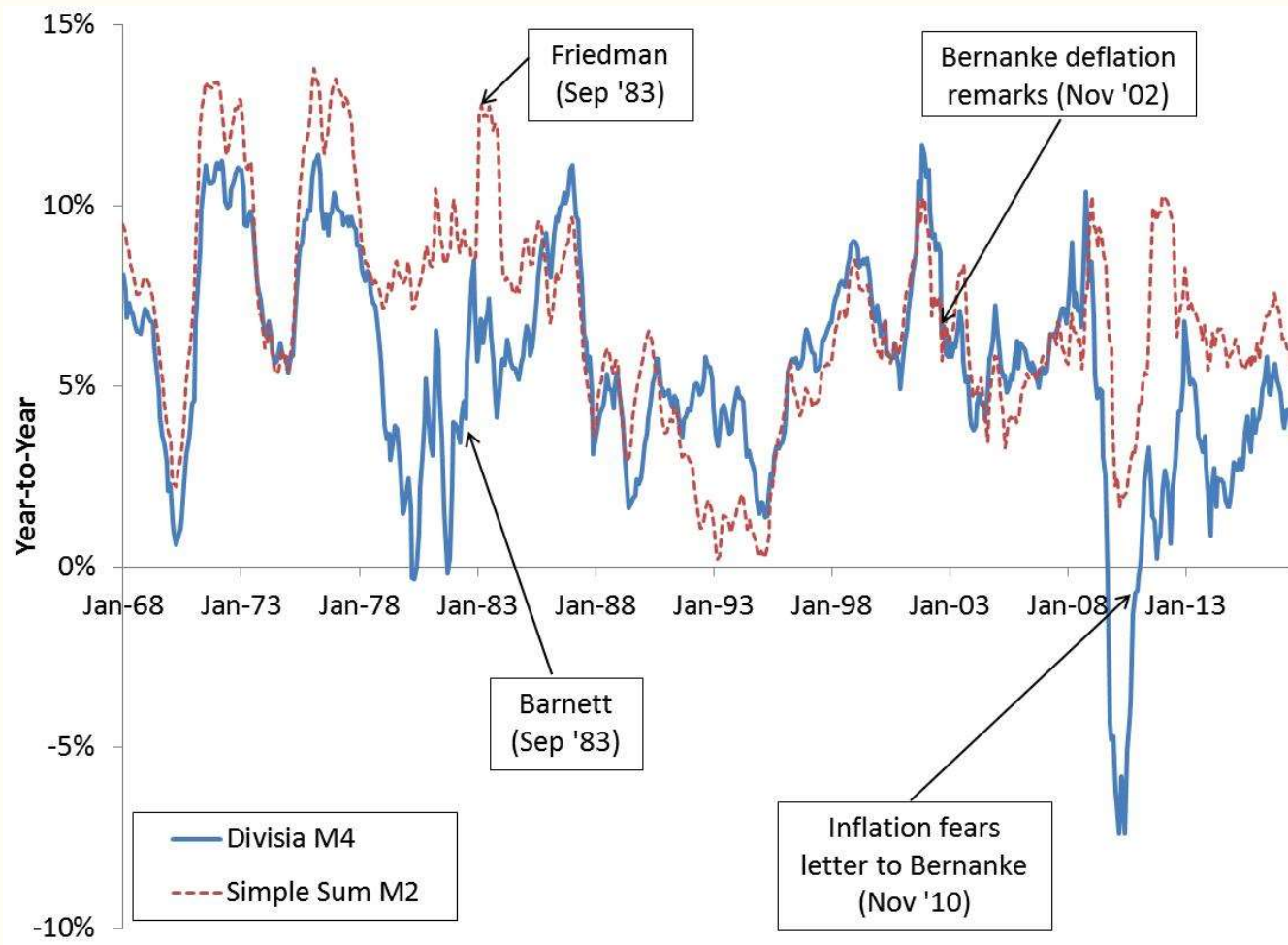


With thanks to William Barnett, Director of Advances in Monetary and Financial Measurement at the Center for Financial Stability Inc.
Source: Federal Reserve Board, Bloomberg LP, and Center for Financial Stability.



Bold • Innovative • Practical

Why CFS Divisia Money Matters for Inflation

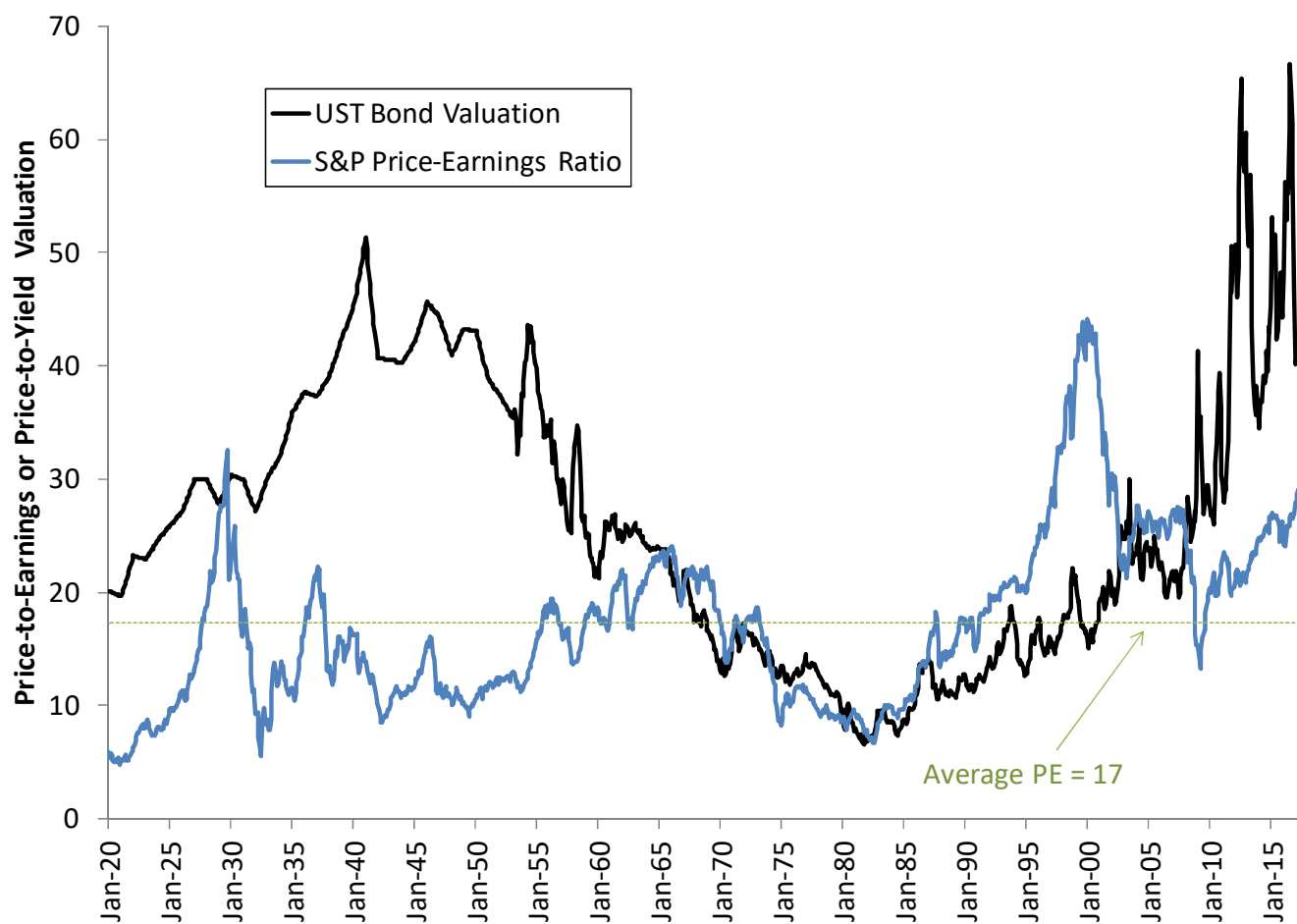


Source: Federal Reserve Bank of St. Louis and Center for Financial Stability.

1/2 Cyclical peak-to-trough in months.

Bold • Innovative • Practical

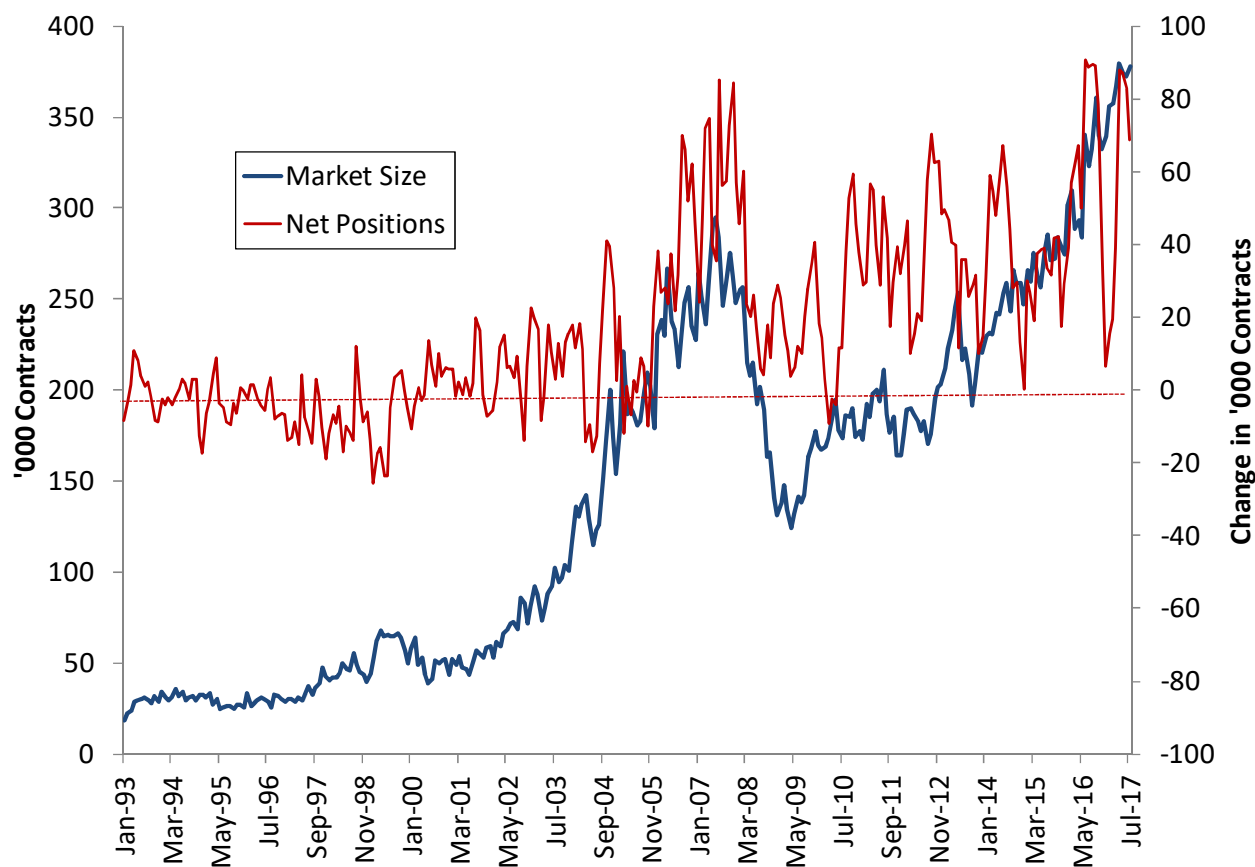
Policy Driven Distortions in Debt and Equity Markets



1/2 cyclical peak to trough in months.

Bold • Innovative • Practical

Policy Driven Distortions in Speculative Markets



Note: Includes futures positions in NYMEX crude, S&P 500 index, JPY, gold, CHF, Nikkei, and GBP held by speculative investors.
Source: CFTC, Bloomberg LP, and Center for Financial Stability.



Bold • Innovative • Practical

About CFS and Disclosure

The Center for Financial Stability (CFS) is a private, nonprofit institution focusing on global finance and markets. Its research is nonpartisan.

This publication reflects the judgments and recommendations of the author(s). They do not necessarily represent the views of Members of the Advisory Board or Trustees, whose involvement in no way should be interpreted as an endorsement of the report by either themselves or the organizations with which they are affiliated.

The organization's website is www.CenterforFinancialStability.org.

The Center for Financial Stability is a non-profit organization formed for educational purposes.