

Is this the turning point for monetary policy?


America on the way, but big risks to going too fast; others lagging behind

Rossa White, NTMA Chief Economist

Society of Actuaries, November 6th 2017



Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

An aerial night photograph of a city, likely Dublin, showing a river, a bridge, and illuminated buildings. The image is used as a background for a presentation slide.

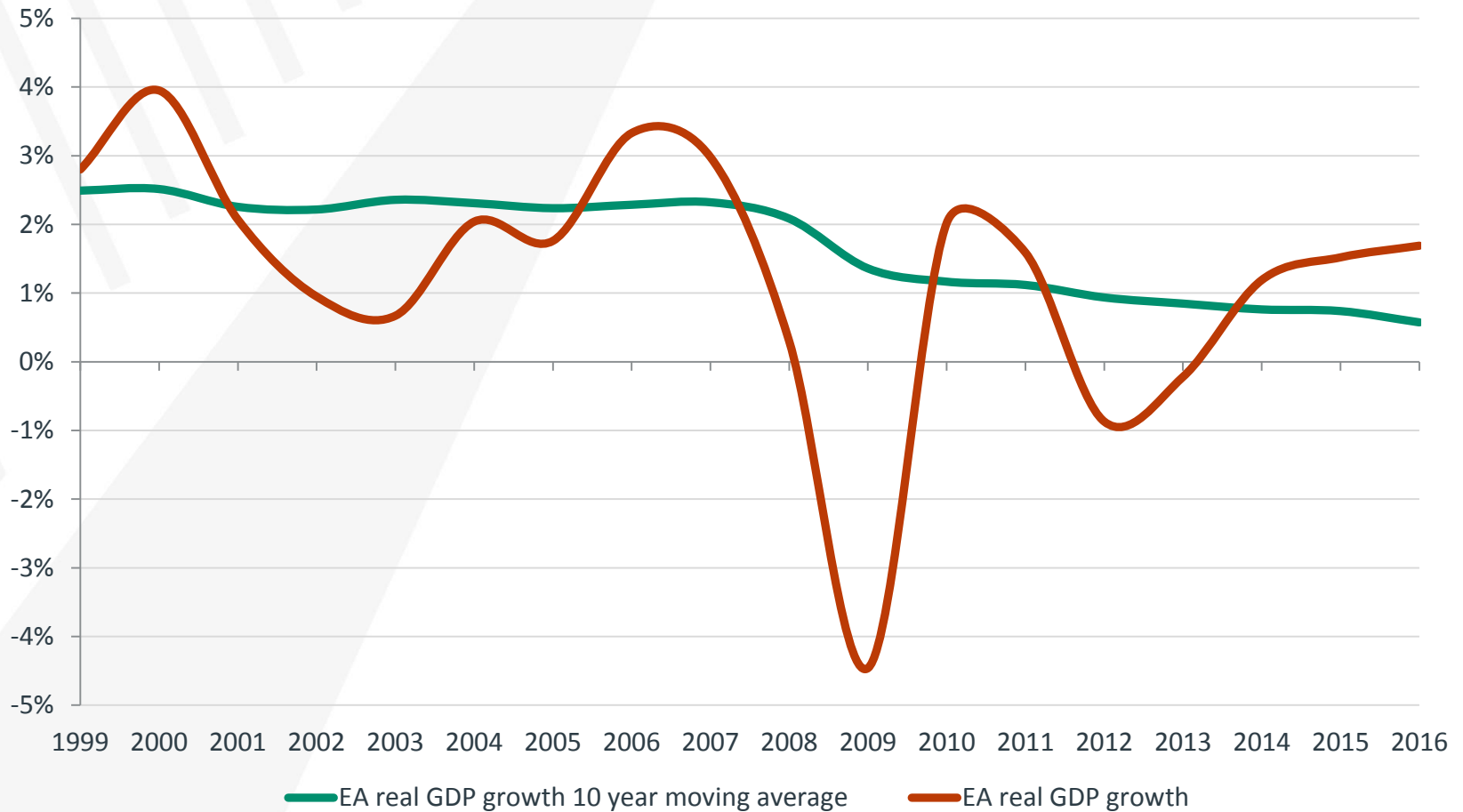
ECB policy loose for another year

Can it end QE with inflation below target, debt sustainability unresolved and bleak long-run growth vista?

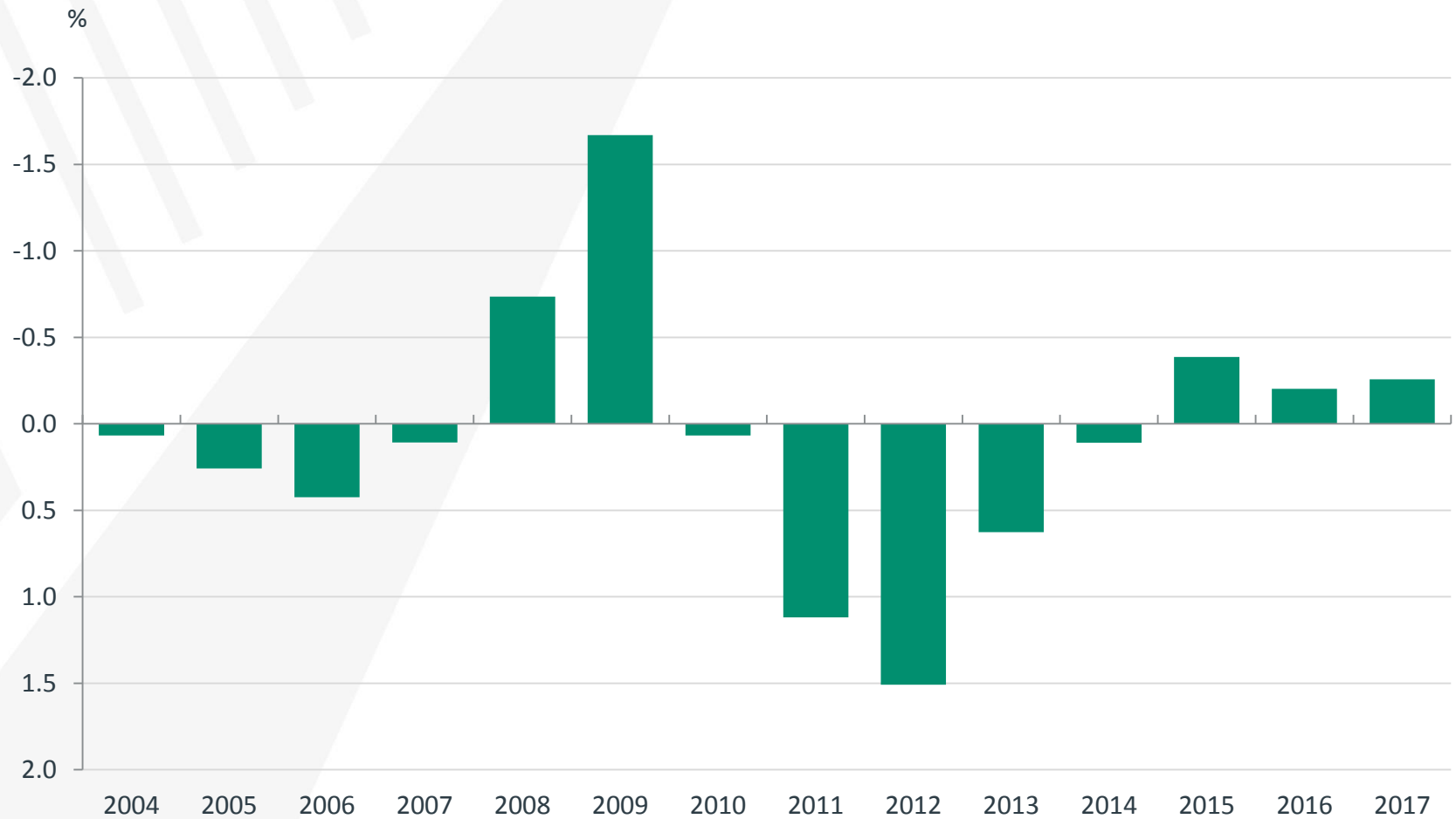


Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

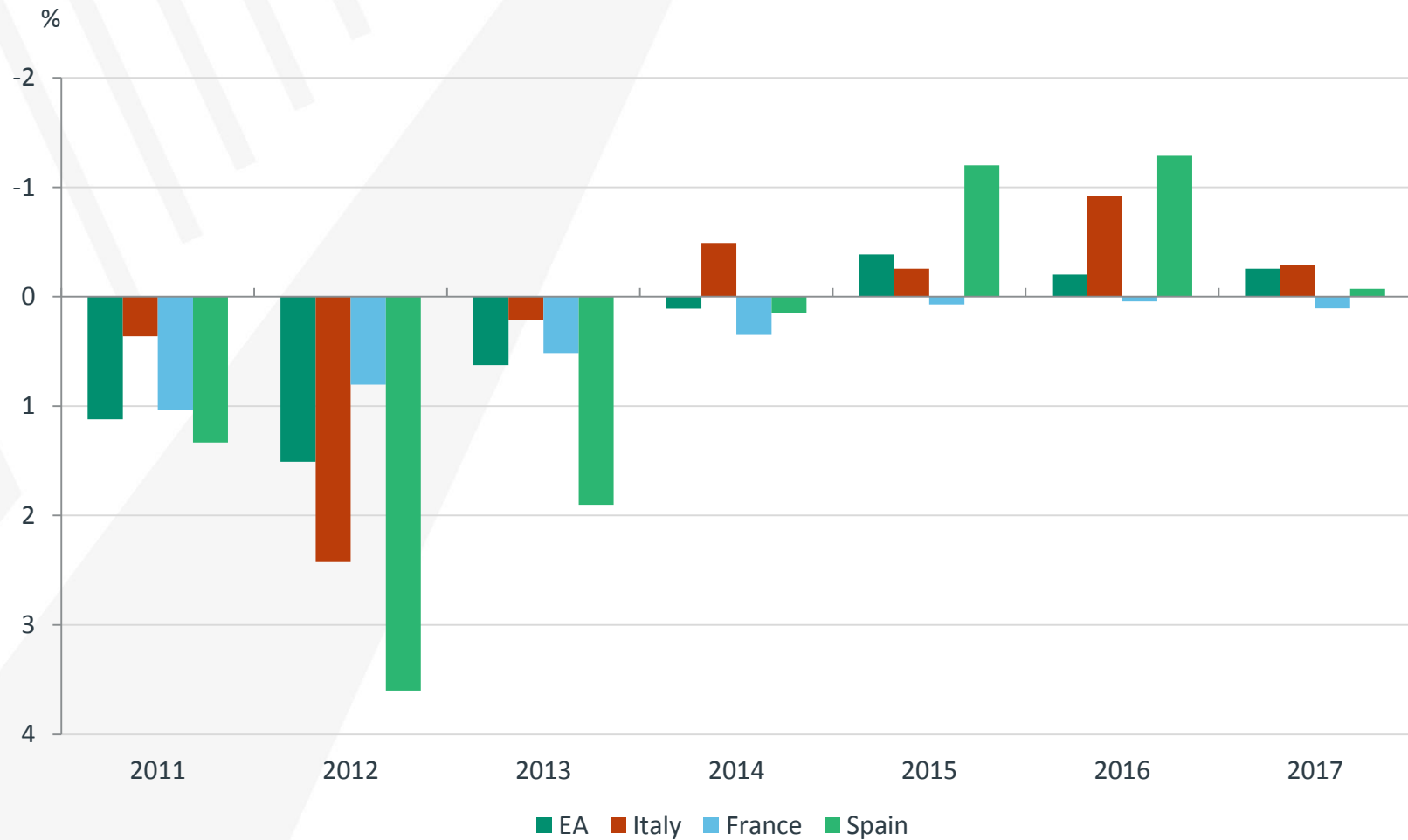
Is there too much recency bias in commentary about the EA recovery?



Fiscal policy may have made the difference: adding 0.2-0.3% to GDP

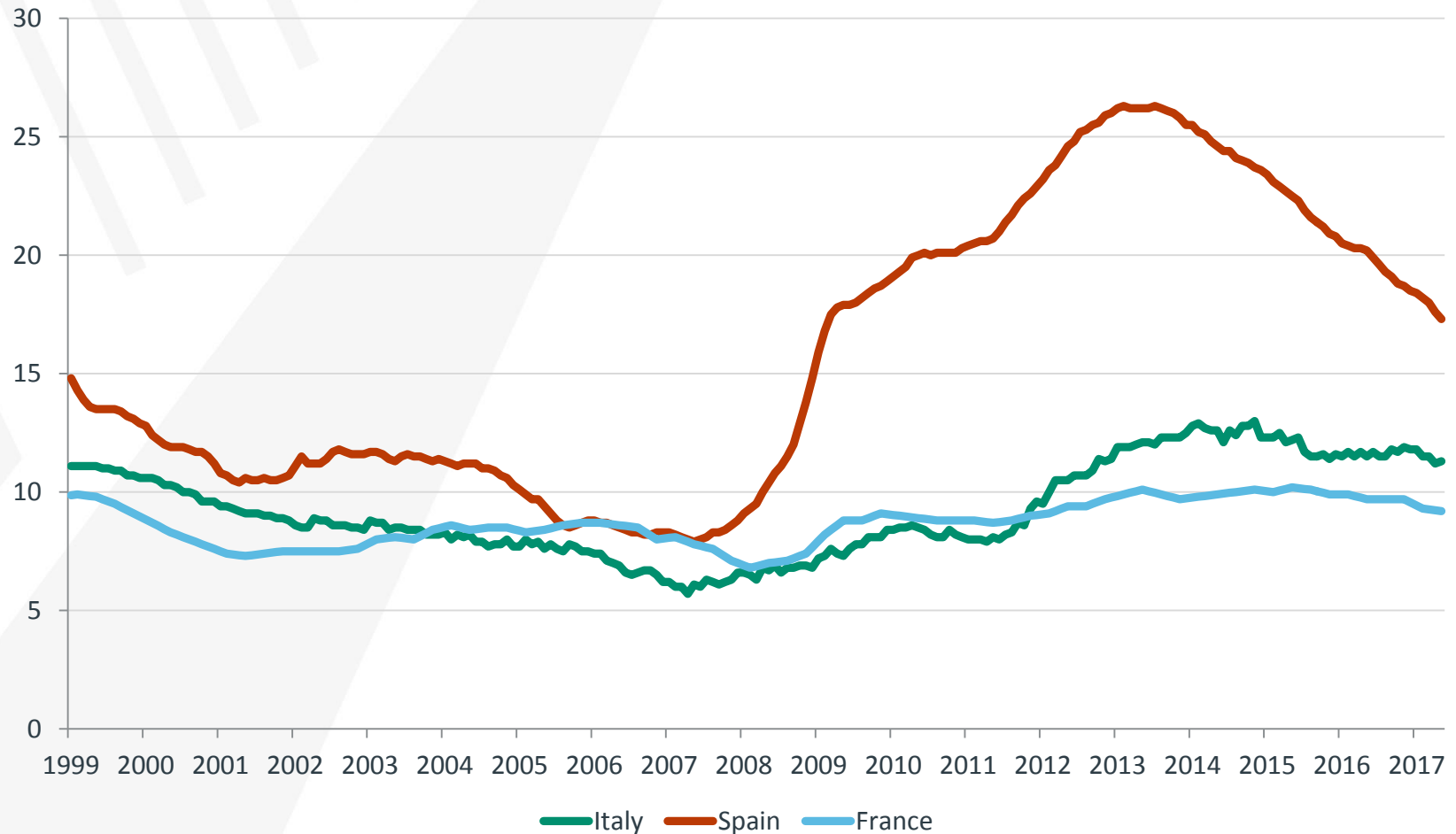


Spain and Italy loosening their purse strings in last three years



Lots of slack left in big three outside Germany

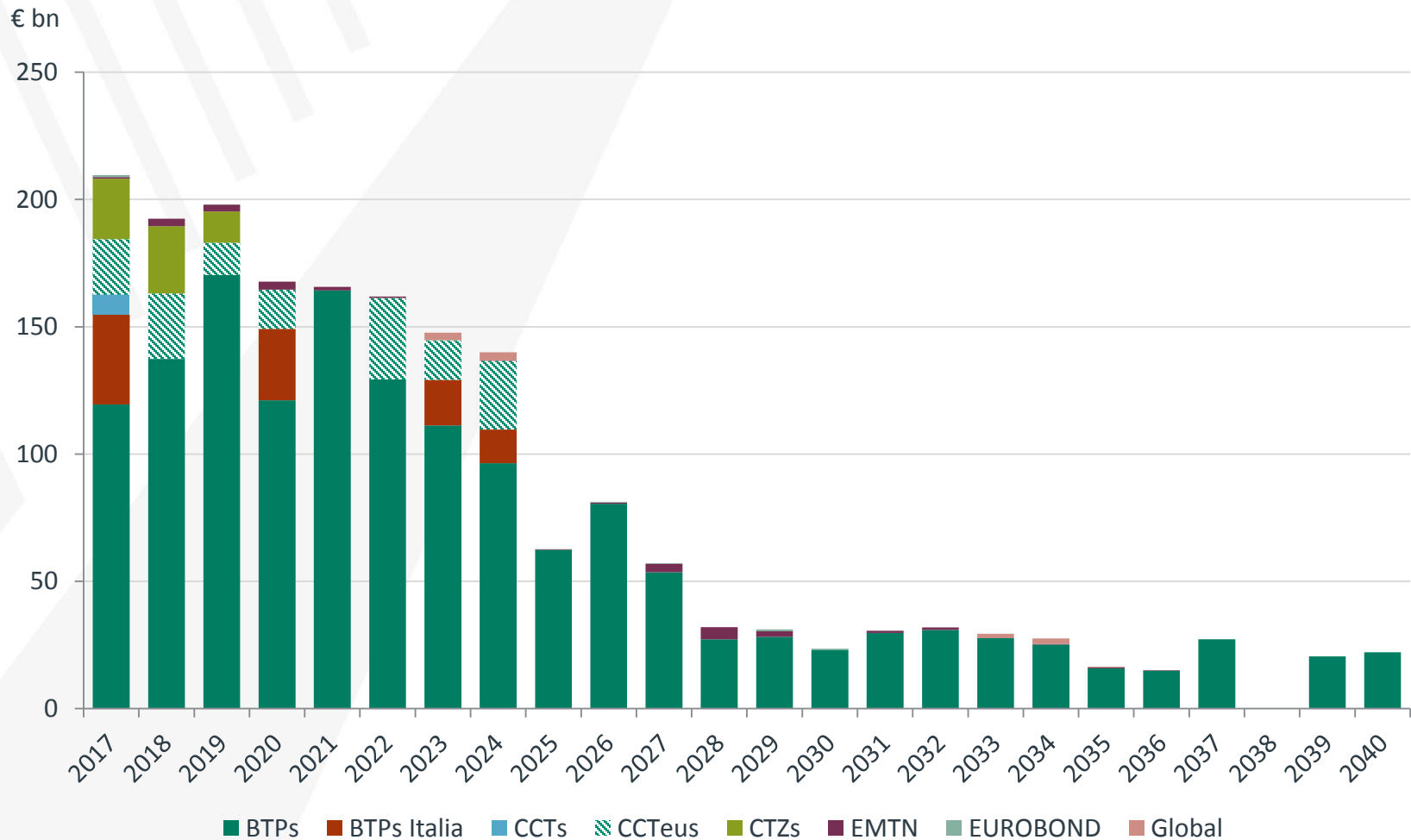
Unemployment rate %



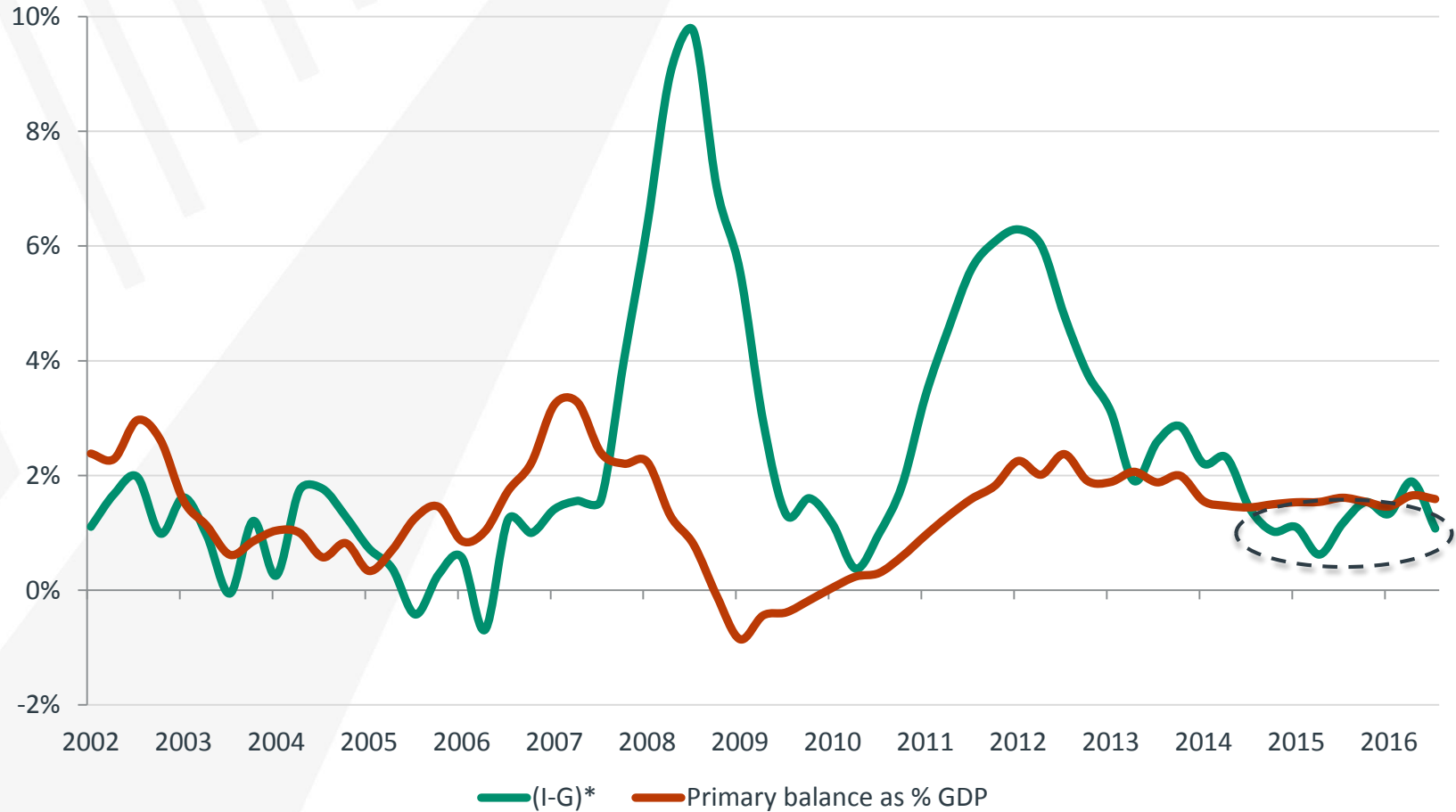
Phillips curve an academic question for at least another year or two



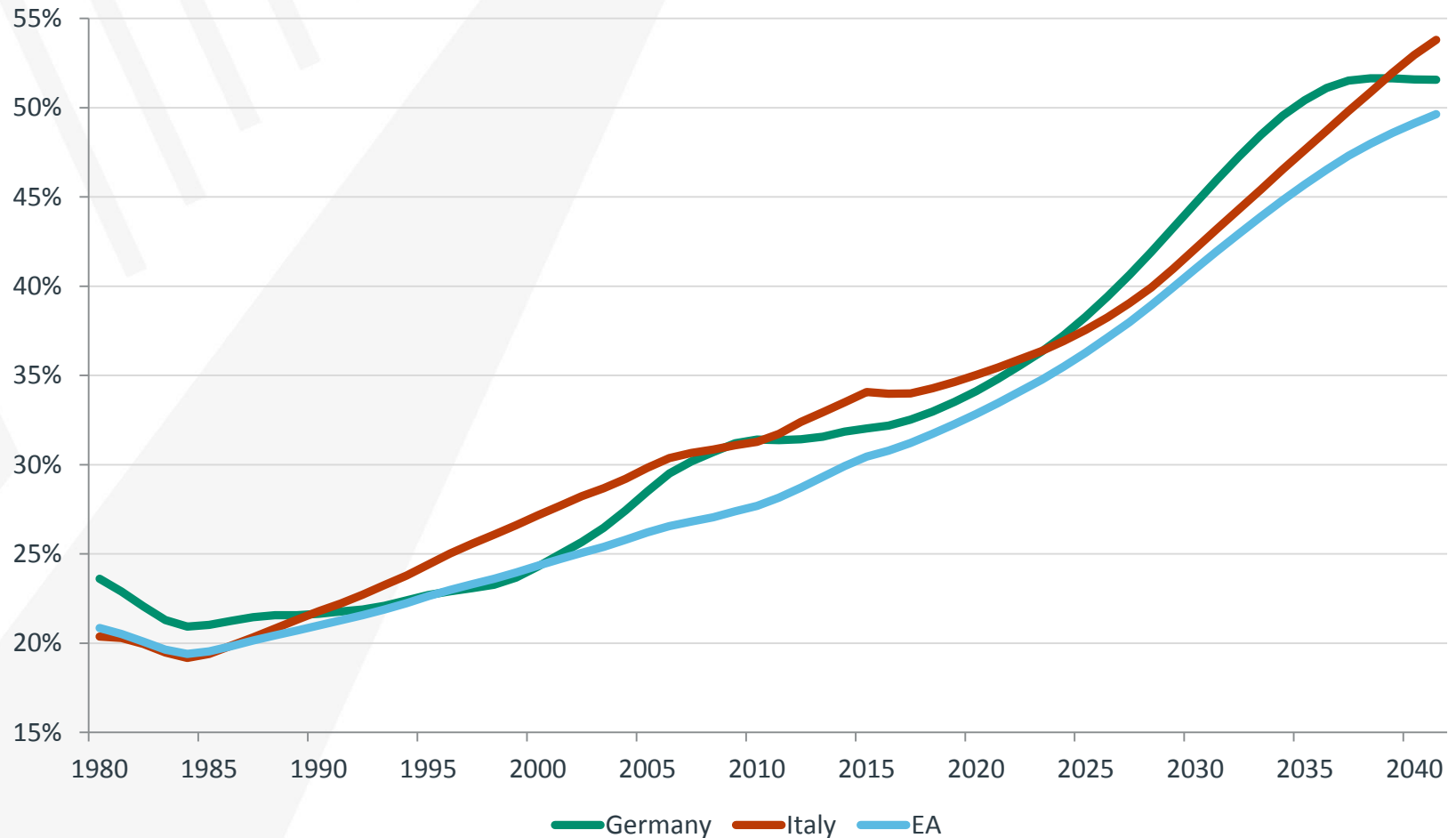
Italy invariably stuck with major refinancing risk: prone to political problems developing into bond market crises



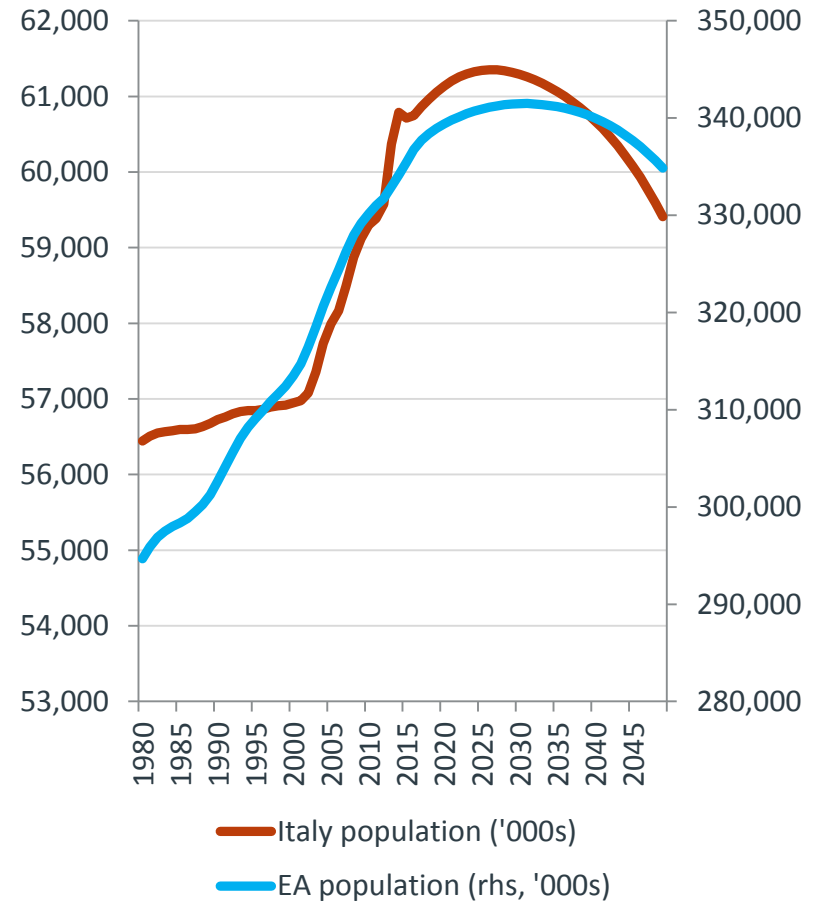
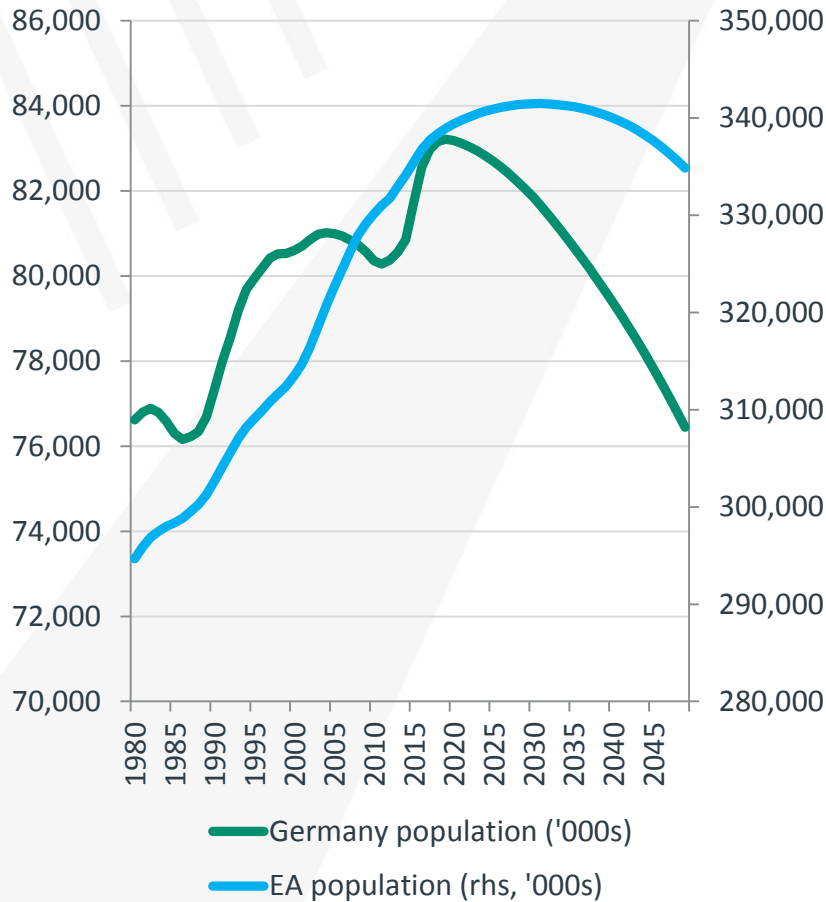
Italian debt dynamics in sweet spot: it won't last for ever



Rapid aging of EA population will be costly: saving will be in vogue



Germany and Italy could use more immigration



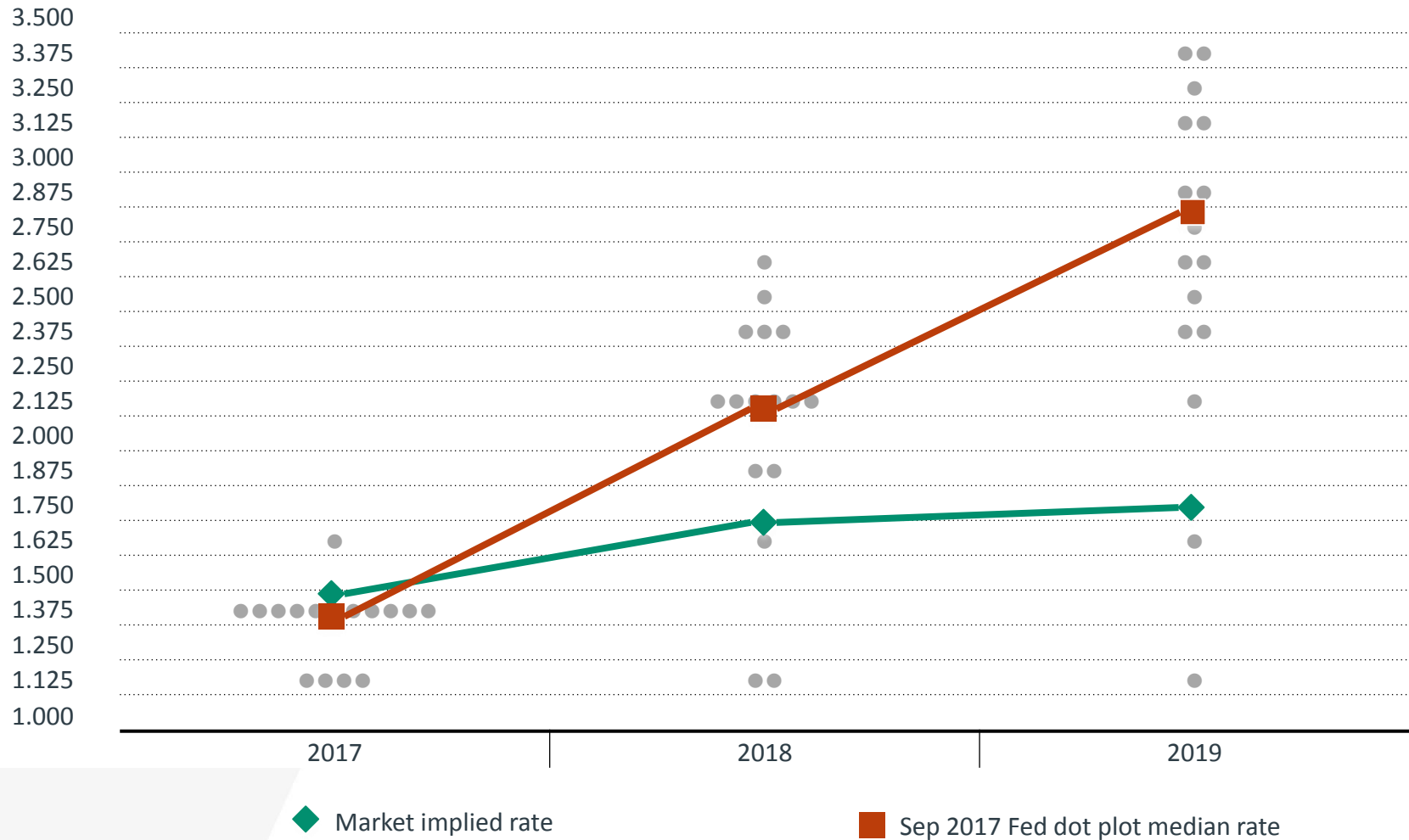
Fed probably holds the key

Others are still sitting on their hands: question is whether Fed dominates global picture as in the past?

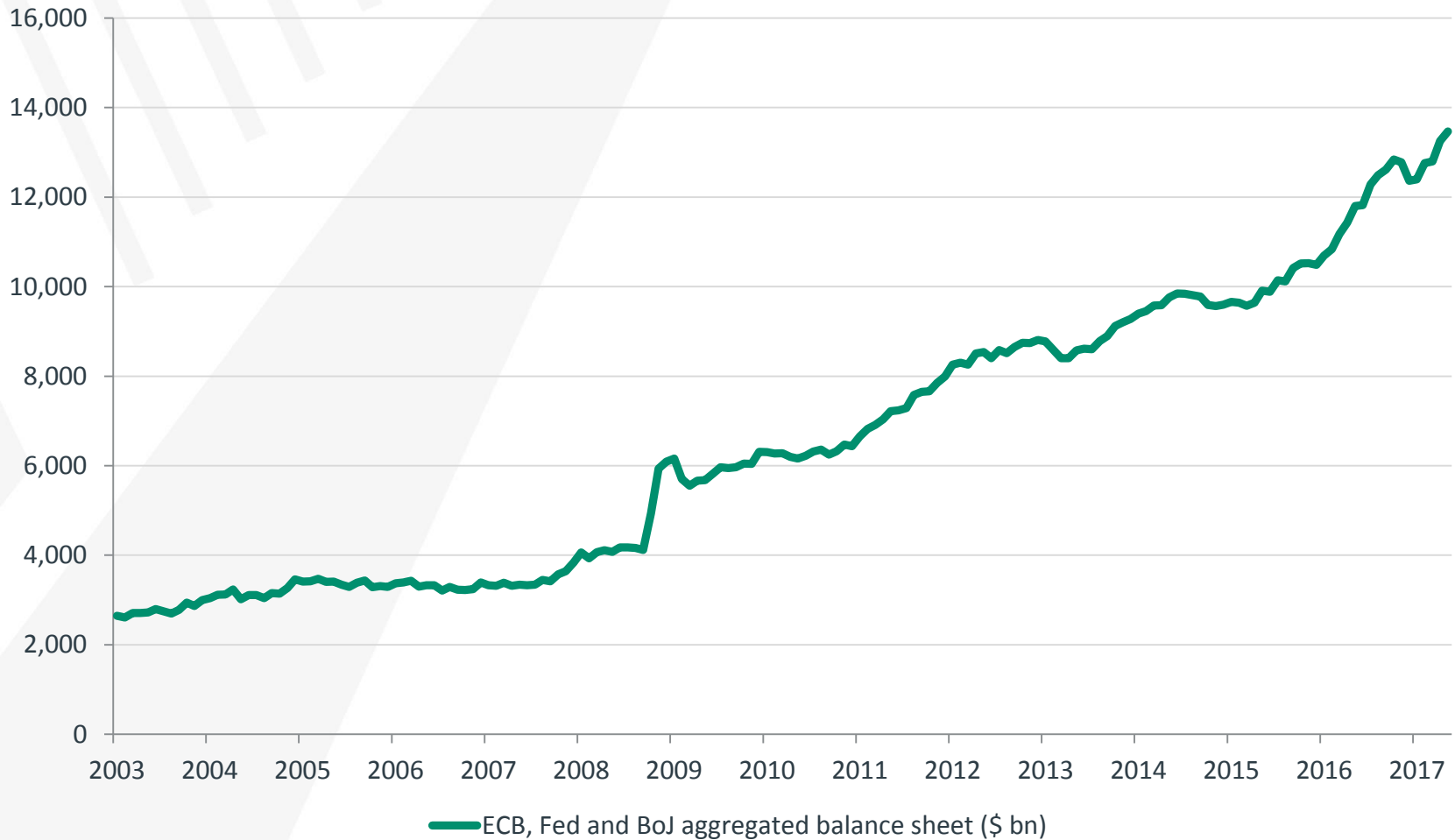


Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

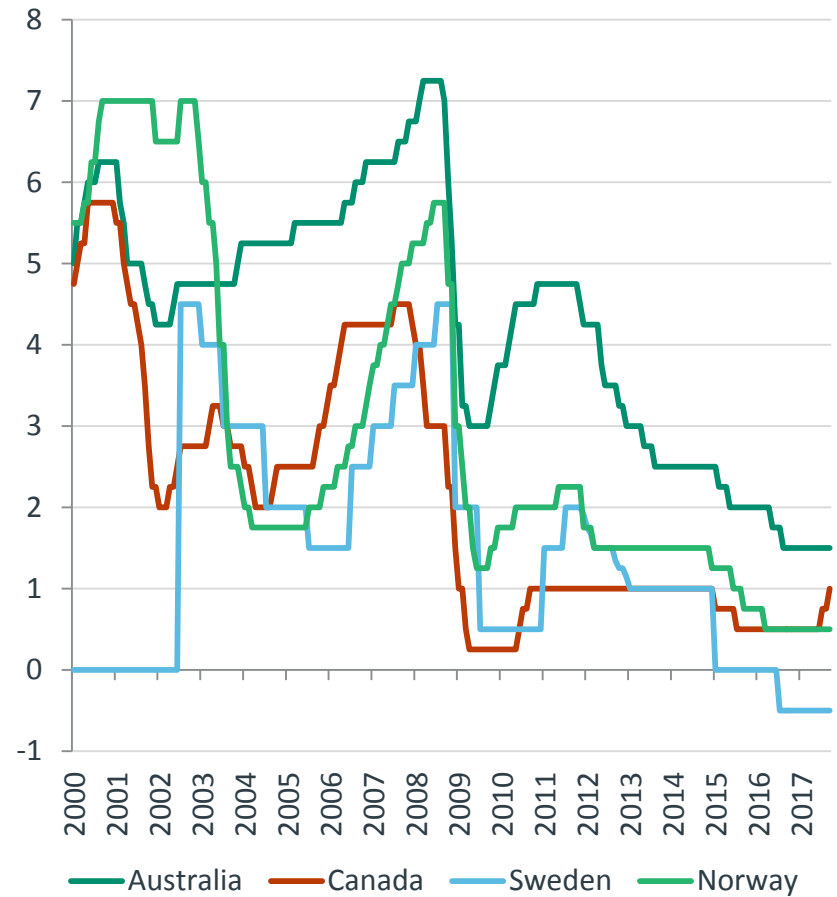
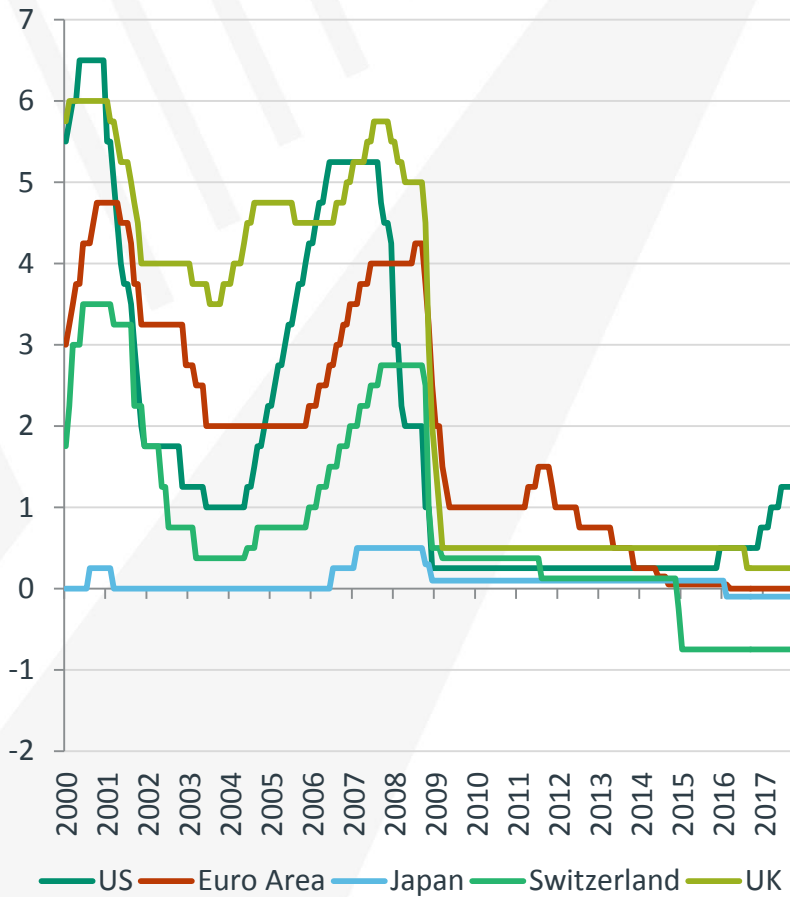
Market doesn't believe the Fed: myopic or good read on the "put"




Liquidity tap still turned on; caveat is that US dollar is still the global reserve currency



Not many following the Fed's lead yet



An aerial night view of a city, likely Dublin, featuring a large bridge with a distinctive white arch and a modern glass skyscraper. The city lights are visible in the background.

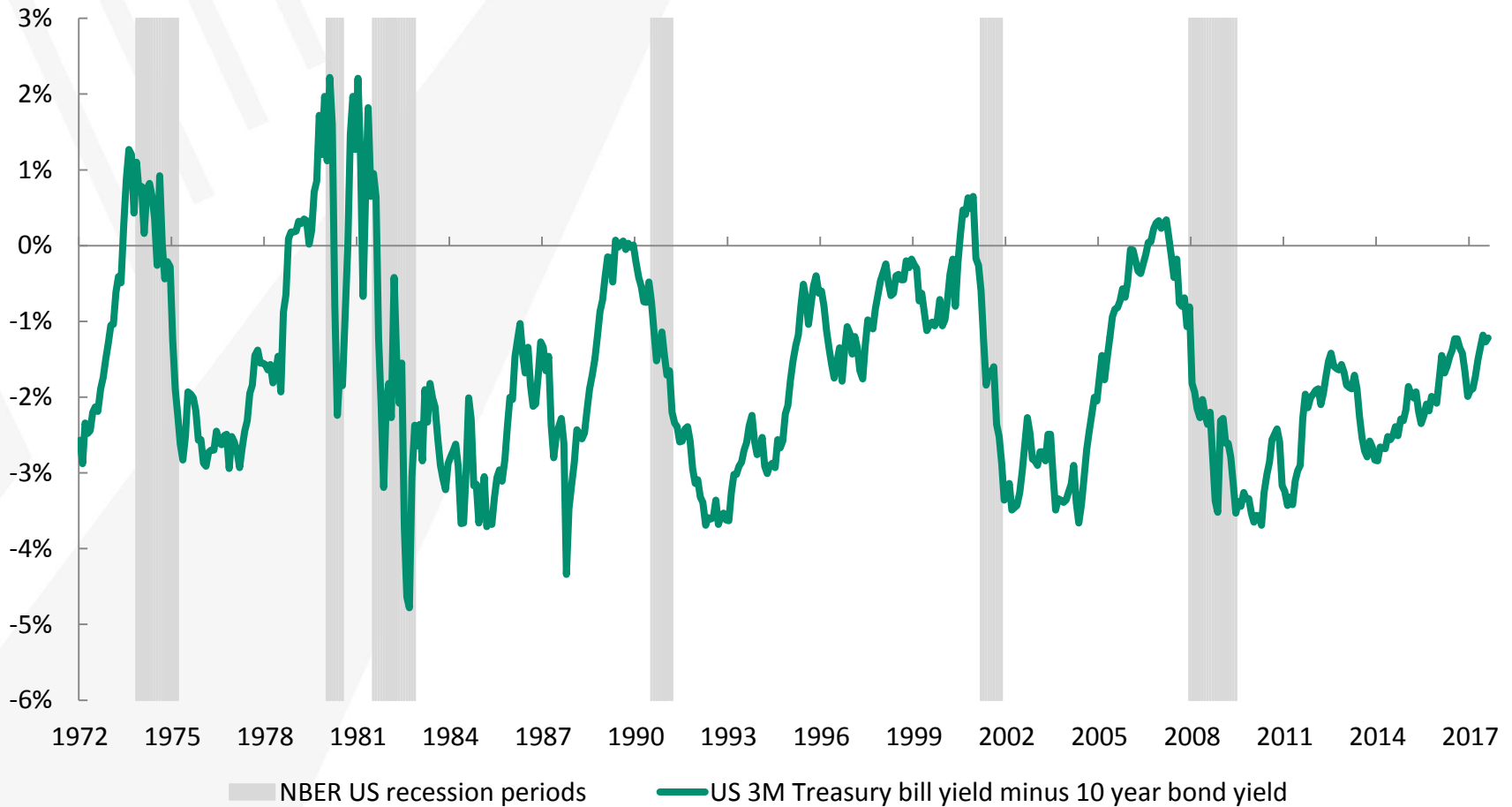
Watch out for inversion of US yield curve

Asset prices very high: will usual monetary response work again?

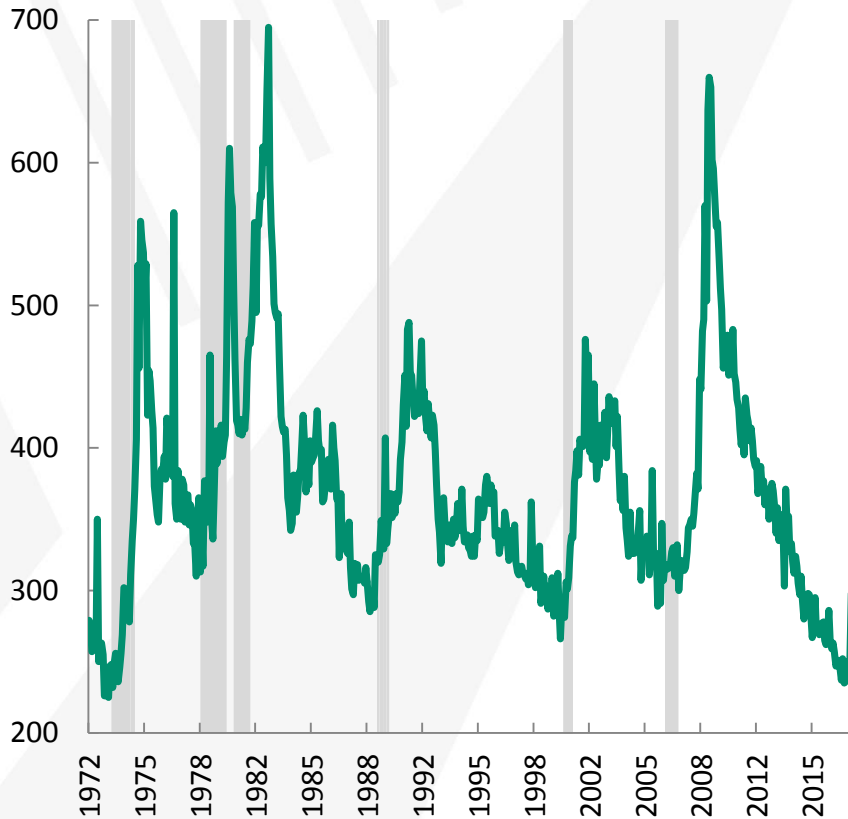


Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

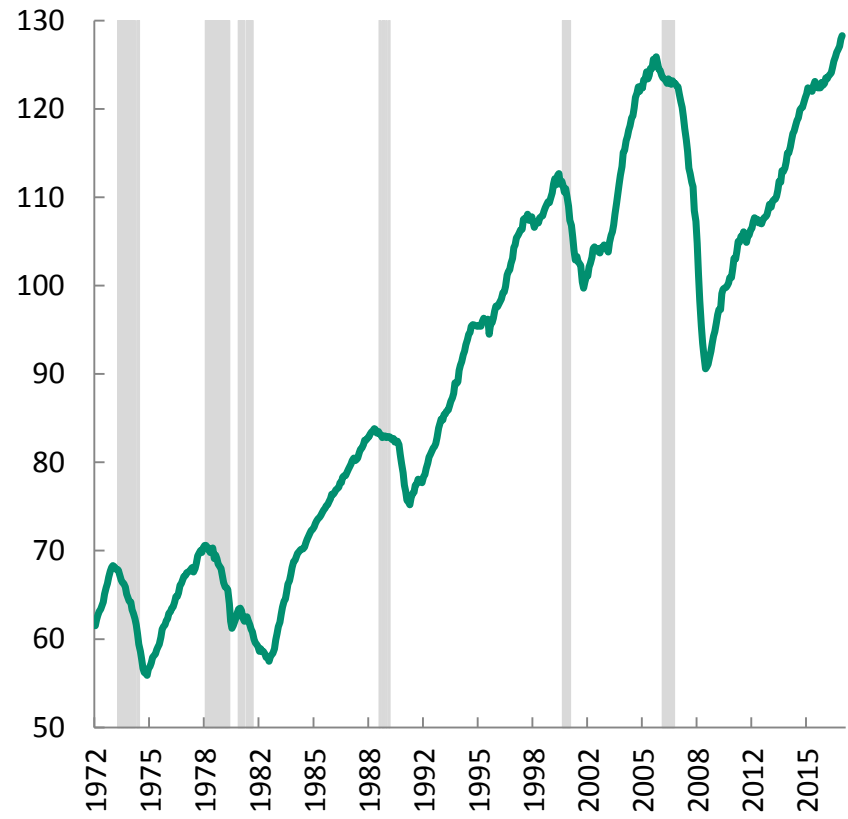
US yield curve has been near perfect guide to recession (9/9 record for 3 month minus 10-year yield)



Watch US jobless claims and leading indicator to validate yield curve signal: no sign of danger right now but change tends to be rapid



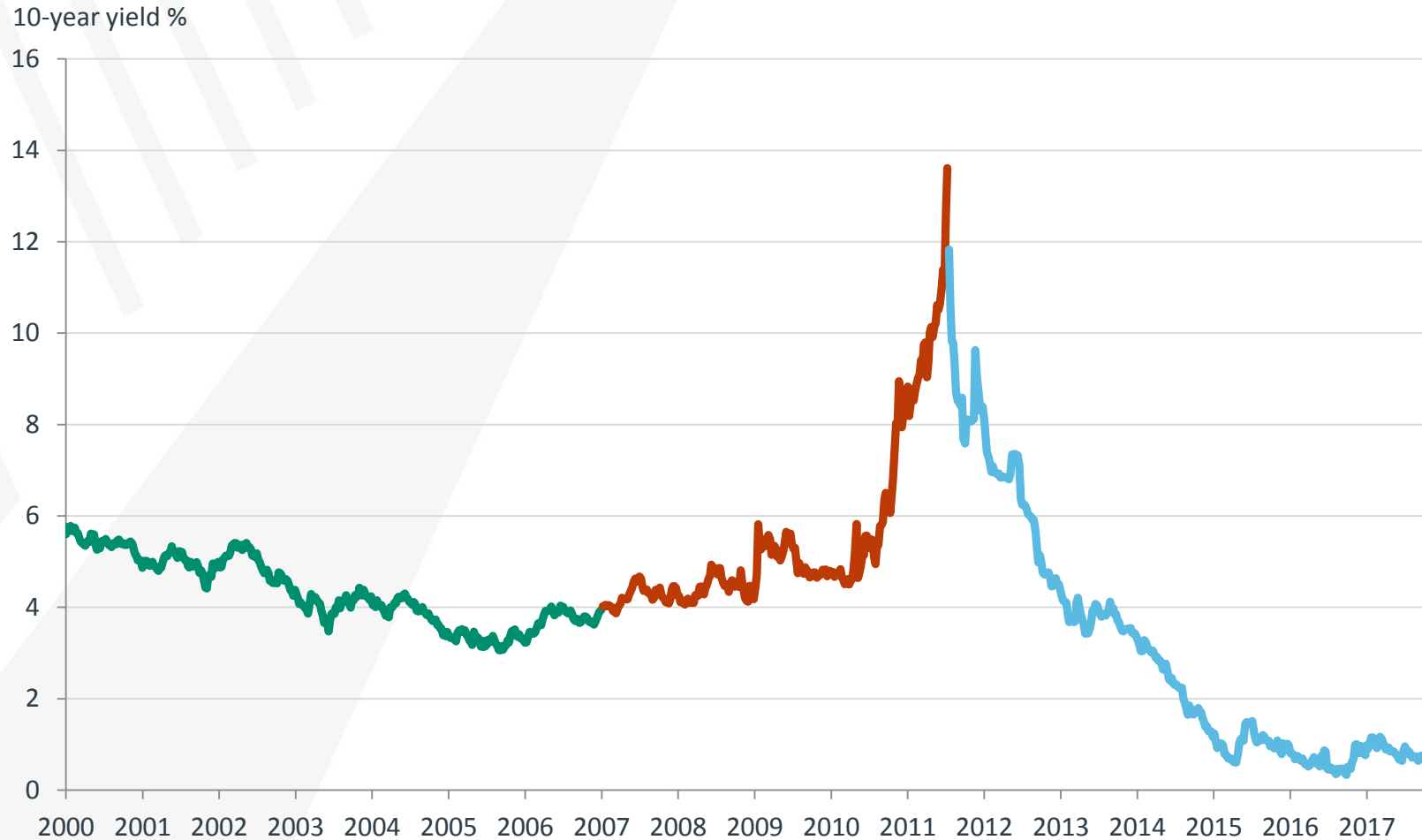
Yield curve inverted (US 3M Treasury bill yield > 10 year bond yield)
 US initial jobless claims



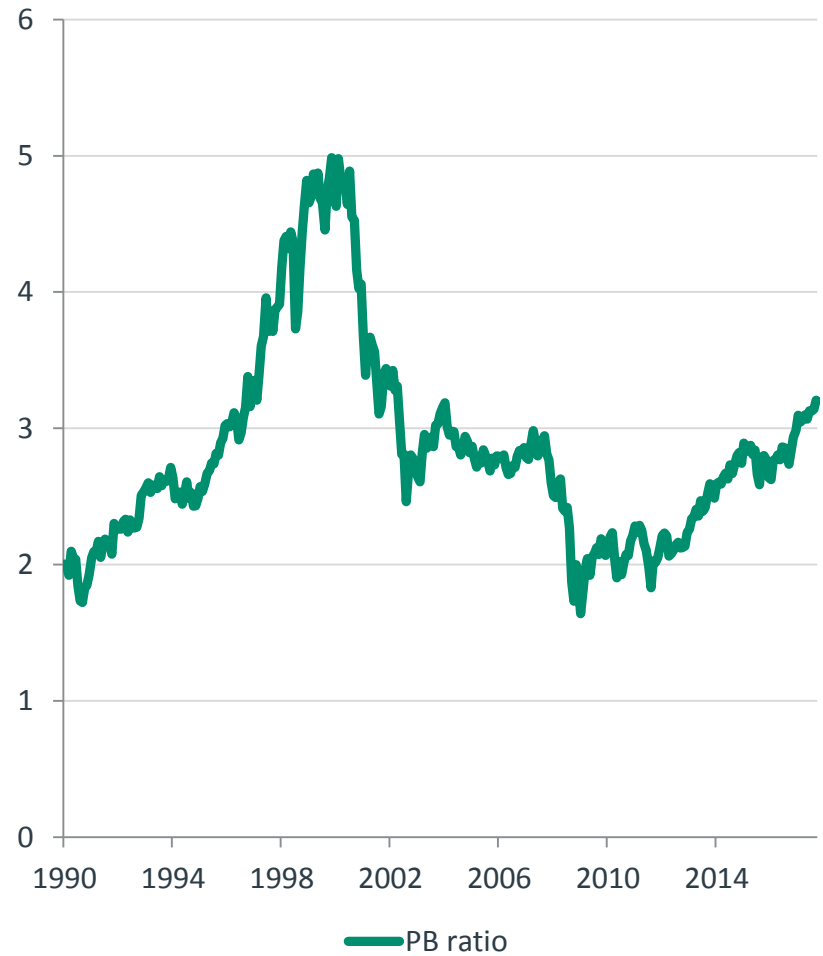
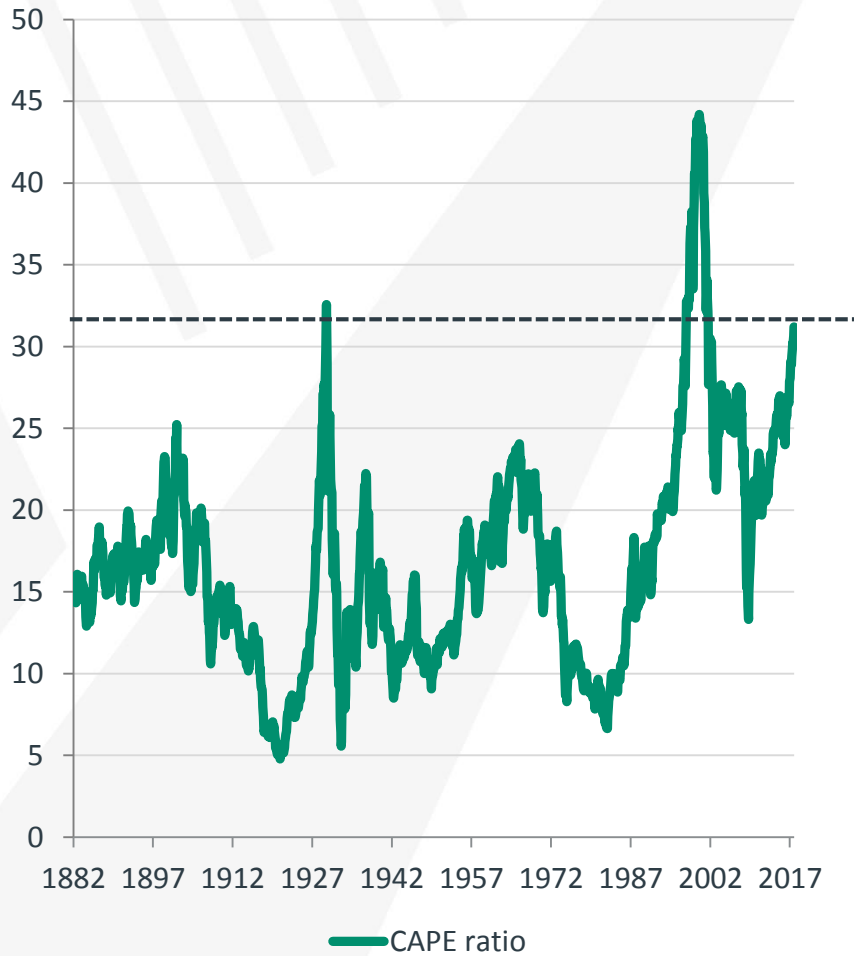
Yield curve inverted (US 3M Treasury bill yield > 10 year bond yield)
 US economic leading indicator index



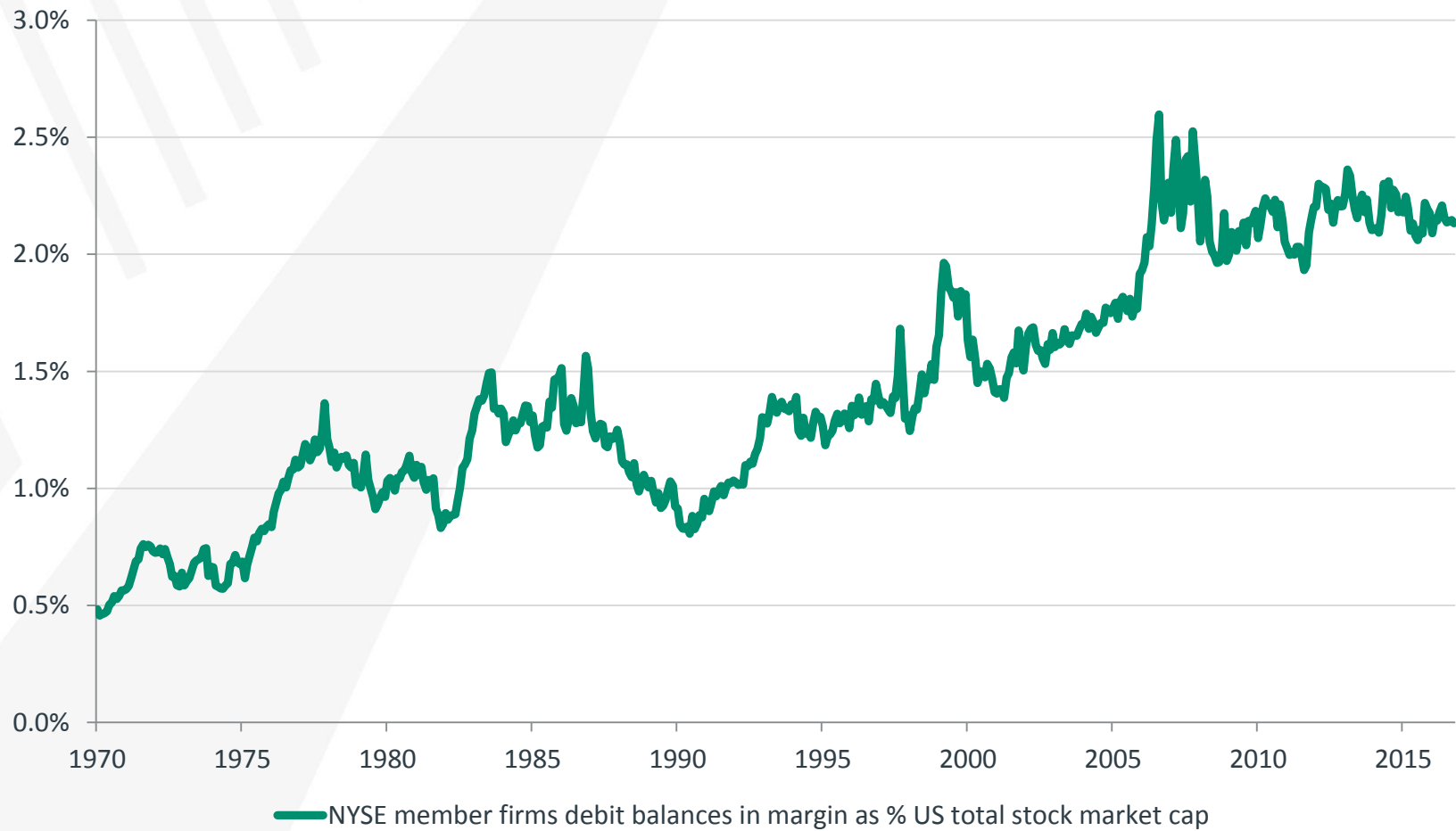
Credit spread crushed in Ireland symptomatic of global phenomenon



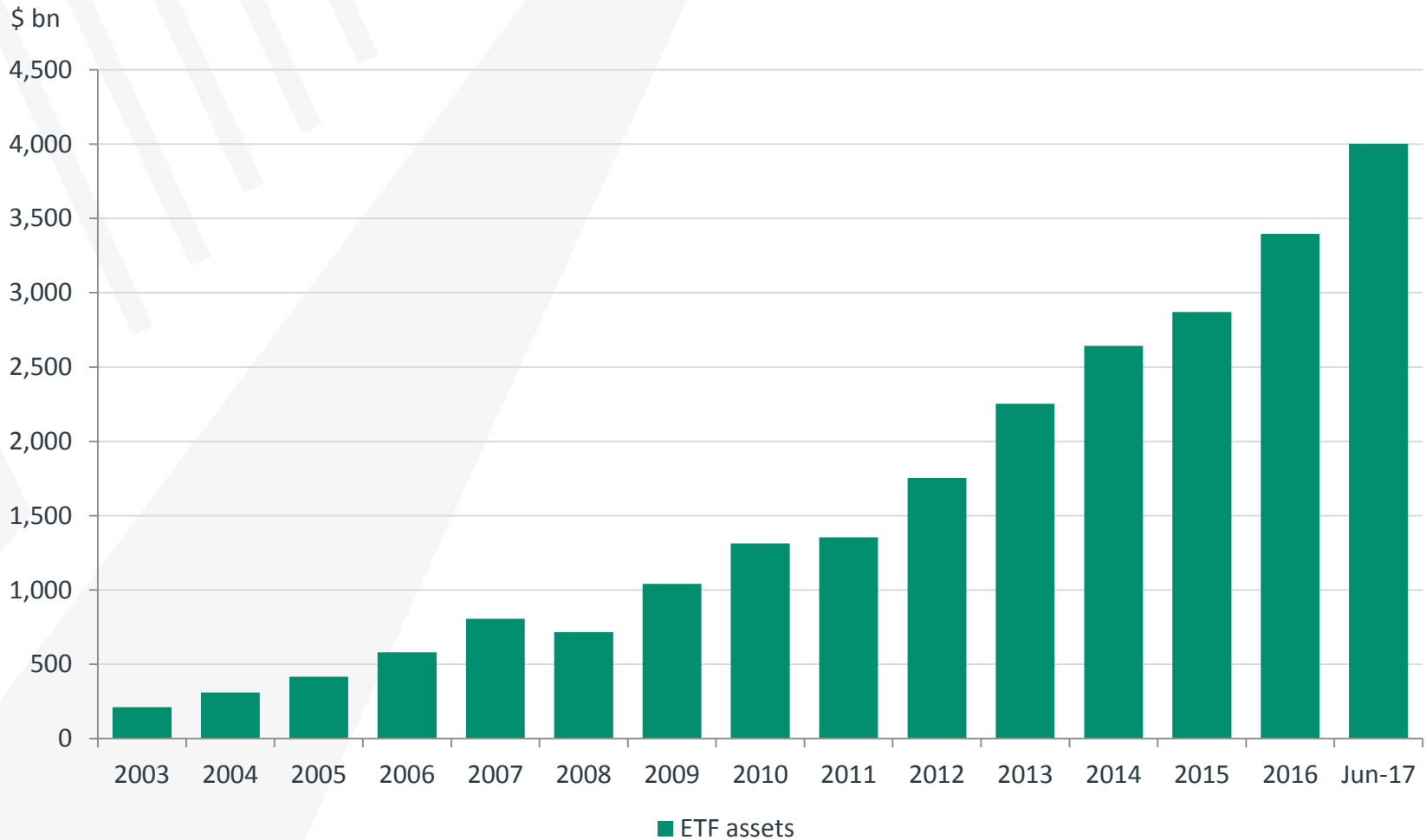
Risky assets more expensive twice before only: in Dotcom and 1929



Not quite the leverage of before, especially from retail investors



Who will make the market the next time there's a recession?



Disclaimer

The information in this presentation is issued by the National Treasury Management Agency (NTMA) for informational purposes. The contents of the presentation do not constitute investment advice and should not be read as such. The presentation does not constitute and is not an invitation or offer to buy or sell securities.

The NTMA makes no warranty, express or implied, nor assumes any liability or responsibility for the accuracy, correctness, completeness, availability, fitness for purpose or use of any information that is available in this presentation nor represents that its use would not infringe other proprietary rights. The information contained in this presentation speaks only as of the particular date or dates included in the accompanying slides. The NTMA undertakes no obligation to, and disclaims any duty to, update any of the information provided. Nothing contained in this presentation is, or may be relied on as a promise or representation (past or future) of the Irish State or the NTMA.

The contents of this presentation should not be construed as legal, business or tax advice.

