Financial Intermediary Credit Spreads

(Jan 1985–Dec 2010)
FINANCIAL BOND PREMIUM (FBP)
(Jan1985–Dec2010)
IMPLICATIONS OF AN ADVERSE FINANCIAL SHOCK

Real Economic Activity

NOTE: Shaded bands denote 95-percent confidence intervals.
**Implications of an Adverse Financial Shock**

Prices, Corporate Balance Sheets, Credit Spreads, and Interest Rates

**NOTE:** Shaded bands denote 95-percent confidence intervals.
**Model Response to a Financial Shock**

Baseline vs. Spread-Augmented Monetary Policy Rule

**Consumption**
- Baseline vs. Spread-augmented
- Percentage points vs. Quarters after the shock

**Investment**
- Baseline vs. Spread-augmented
- Percentage points vs. Quarters after the shock

**Hours worked**
- Baseline vs. Spread-augmented
- Percentage points vs. Quarters after the shock

**Output**
- Baseline vs. Spread-augmented
- Percentage points vs. Quarters after the shock

**Note:** In deviations from the steady state.
MODEL RESPONSE TO A FINANCIAL SHOCK
Baseline vs. Spread-Augmented Monetary Policy Rule

**Prices**
- Baseline
- Spread-augmented

**Net worth**

**Credit spread**

**Nominal interest rate**

**NOTE:** In deviations from the steady state.
MODEL SIMULATIONS VS. ACTUAL DATA

Real GDP

NOTE: All variables have been demeaned.
MODEL SIMULATIONS VS. ACTUAL DATA

Inflation

NOTE: All variables have been demeaned.