Essays on Economic Policy (ESPE in Spanish) - The Impact of Asset Prices and their Information Value for Monetary Policy

Download Keep in mind
In the journal Essays on Economic Policy (ESPE) - we disclose the results and policy proposals that arise from academic research carried out at the *Banco de la República*. When you read us, always keep in mind that the content of our articles, as well as the analyzes and conclusions derived from them, are the sole responsibility of their authors. The material disclosed in our ESPE magazine does not compromise or represent the opinion of *Banco de la República* or that of its Board of Directors.

AUTHOR OR EDITOR David Mayes Matti Virén Publication Date: Sunday, 1 of August 2010
In this paper we explore the contribution that asset prices appear to make to fluctuations in the economy and to inflation, and hence to monetary policy, using a large international panel for the 1970–2008 period. We show that house prices are important in the determination of economic activity, and therefore to monetary policy, but that stock market prices, while offering information in many periods, form a rather weaker and less well determined linkage. Moreover, the effects are asymmetric over the course of the economic cycle. Using an augmented Taylor rule, we go on to show that monetary policy has not reacted much to asset prices but that longrun interest rates are clearly affected by house price inflation. Relationships tend to be weaker in recent years, probably as a result of greater stability in output growth and inflation. Nevertheless, our results suggest that central banks would do well to consider asset prices in deciding monetary policy.

Fuente: https://www.banrep.gov.co/en/publications-research/espe/impact-asset-prices-and-their-information-value-monetary-policy