

SHOULDERING RISK DURING COVID-19: MONETARY POLICY AND CREDIT GUARANTEES

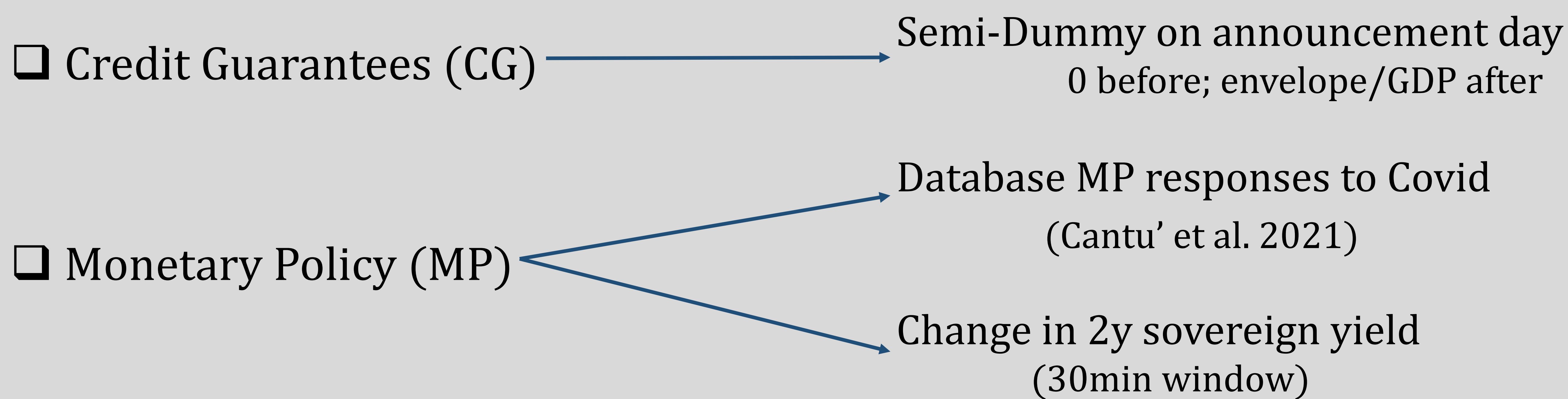
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[Preliminary and Ongoing Project]

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Research Question(s):

- Do monetary and fiscal announcements affect credit risk in the Covid crisis?
- Interaction or juxtaposition?



Daily data on 14 advanced economies

Corporate Bond Spread-5y (CBS):
 BBB Corporate Yield - Sovereign Yield → ✓ Cointegrated with lending spread
 ✓ No structural break on April 2020

Dynamic Panel Data model, FE

$$CBS_{i,t} = \alpha + CBS_{i,t-1} + \beta CG_{i,t} + \gamma MP_{i,t} + \delta [CG_{i,t} * MP_{i,t}] + \theta^j Z_{i,t-1} + \eta_i + \varepsilon_t$$

	Spread	BBB Yield	Sov Yield
MP	0.7696**	0.8356*	1.5858***
CG	-0.0022**	-0.0024**	-0.0006
MP*CG	0.1571	-0.0068	0.0117

↑
Baseline

	Spread	BBB Yield	Sov Yield
MP	0.849***	0.849*	1.531***
CG	-0.0015***	-0.0023**	-0.0006
MP*CG	0.176	-0.00537	-0.0206
MP*JA	-2.457***	-0.702	-0.179
CG*JA	-0.0079***	-0.01***	-0.0012
MP*CG*JA	-1.648***	-0.389	1.422***

Control for Joint Announcements (JA) →

* p<0.1; ** p<0.05; *** p<0.01