



Research Working Papers

Unconventional Monetary Policy, (A)Synchronicity and the Yield Curve

by: Karlye Dilts Stedman

November 18, 2019

Spillovers from unconventional monetary policy abroad increase when the return to normalized policy is asynchronous.

RWP 19-09, November 2019; updated June 2020

This paper examines unconventional monetary policy (UMP) spillovers between advanced economies, exploiting the asynchronous timing of policy normalization to shed light on the term structure implications of UMP divergence. Using high frequency data to identify monetary policy and contemporaneous news, I find that spillovers increase during UMP and strengthen during asynchronous normalization. In fact, these spillovers in the asynchronous period appear to drive the increase in post-Lehman spillovers found elsewhere in the literature. Using a shadow rate term structure model, I find that international spillovers manifest through term premia, particularly at the effective lower bound. Identifying target, forward guidance, and Quantitative Easing (QE) shocks suggests term premium effects arise from QE and forward guidance, while target shocks do not generate spillovers.

JEL Classification: F42; G15; E5

Article Citations

- Dilts Stedman, Karlye. 2019. "Unconventional Monetary Policy, (A)Synchronicity and the Yield Curve." Federal Reserve Bank of Kansas City, Research Working Paper no. 19-09, November. Available at <https://doi.org/10.18651/RWP2019-09>

Related Research

- Rogers, John H., Chiara Scotti, and Jonathan H. Wright. 2014. "[Evaluating Asset-Market Effects of Unconventional Monetary Policy: A Multi-Country Review](#)." *Economic Policy*, vol. 29, no. 80, pp. 749-799.
 - Kearns, Jonathan, Andreas Schrimpf, and Fan Dora Xia. 2018. "[Explaining Monetary Spillovers: The Matrix Reloaded](#)." Bank for International Settlements, working paper no. 757, November.
-

Author



Karlye Dilts Stedman Senior Economist

Karlye Dilts Stedman is a Senior Economist in the Macroeconomics and Monetary Policy Division at the Federal Reserve Bank of Kansas City. Ms. Dilts Stedman joined the Bank in 2019, after earning her Ph.D. in Economics from the University of North Carolina at Chapel Hill. She also holds a M.A. in International Relations and International Economics from the Johns Hopkins University School of Advanced International Studies (SAIS) and a B.A. in Economics from New College of Florida. Her research focuses on international dimensions of monetary policy and monetary policy transmission at the zero lower bound of interest rates.
