On-line Appendix for "Capital Flows and the Risk-Taking Channel of Monetary Policy"

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February 27, 2013

This on-line appendix accompanies our paper "Capital Flows and the Risk-Taking Channel of Monetary Policy".

This appendix presents additional vector autoregression (VAR) results from those reported in the main body of our paper to examine their robustness to alternative ordering of the variables and to the inclusion of additional variables into the VAR.

We examine the following additional VAR exercises.

- In Figure 1, the ordering of the four variables in the VAR is (1) Fed Funds target rate (2) broker dealer leverage (3) REER and (4) VIX.

- In Figure 2, the ordering of the four variables in the VAR is (1) broker dealer leverage (2) VIX (3) REER and (4) Fed Funds target rate.

- In Figure 3, we replace the US dollar Real Effective Exchange Rate (REER) variable with its nominal counterpart - the *Nominal* Effective Exchange Rate (NEER) for the US dollar.

The ordering of the variables in the VAR is (1) Fed Funds target rate (2) broker dealer leverage (3) NEER and (4) VIX.

- In Figure 4, we add the log difference of the total Industrial Production Index as a variable in the VAR. Figure 4 reports the results of the five variable VAR where the ordering of the variables is (1) Industrial Production Index, (2) Fed Funds target rate (3) broker dealer leverage (4) VIX and (5) REER.

- In Figure 5, we examine an alternative ordering of the five variable VAR involving the BIS capital flows variable reported in the main body of the paper. The ordering of the variables in the VAR is (1) Fed Funds target rate (2) broker dealer leverage (3) VIX (4) BIS bank capital flows and (5) REER.

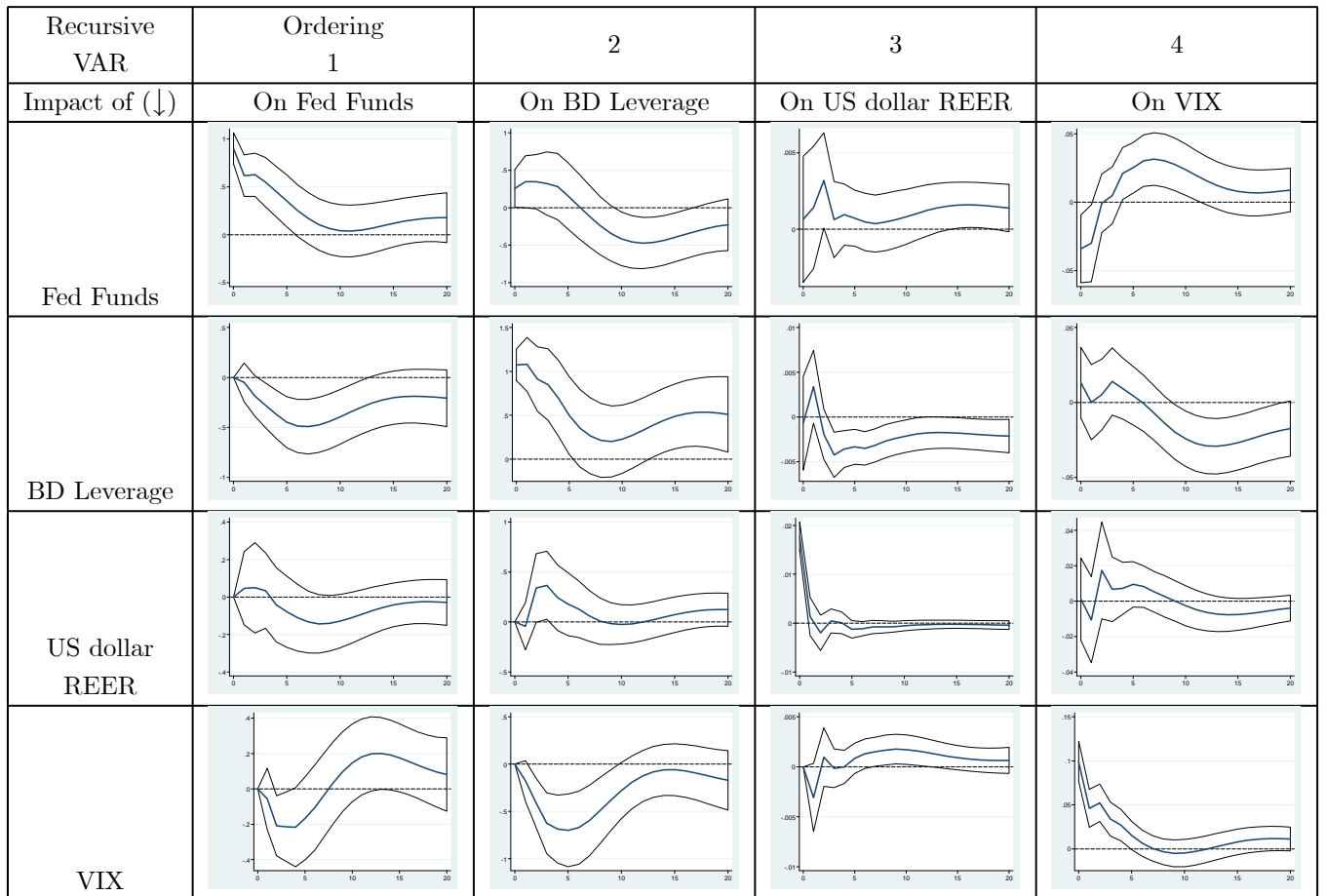| Recursive VAR	Ordering 1	2	3	4
Impact of (↓)	On Fed Funds	On BD Leverage	On US dollar REER	On VIX
Fed Funds				
BD Leverage				
US dollar REER				
VIX				

Figure 1. **Impulse response functions in recursive VAR.** This figure presents estimated impulse-response functions for the four variable recursive VAR. In this specification, the ordering of the four variables in the VAR is (1) Fed Funds target rate (2) broker dealer leverage (3) REER and (4) VIX. The panels shows 90 percent bootstrapped confidence intervals for the model with two lags, based on 1000 replications.

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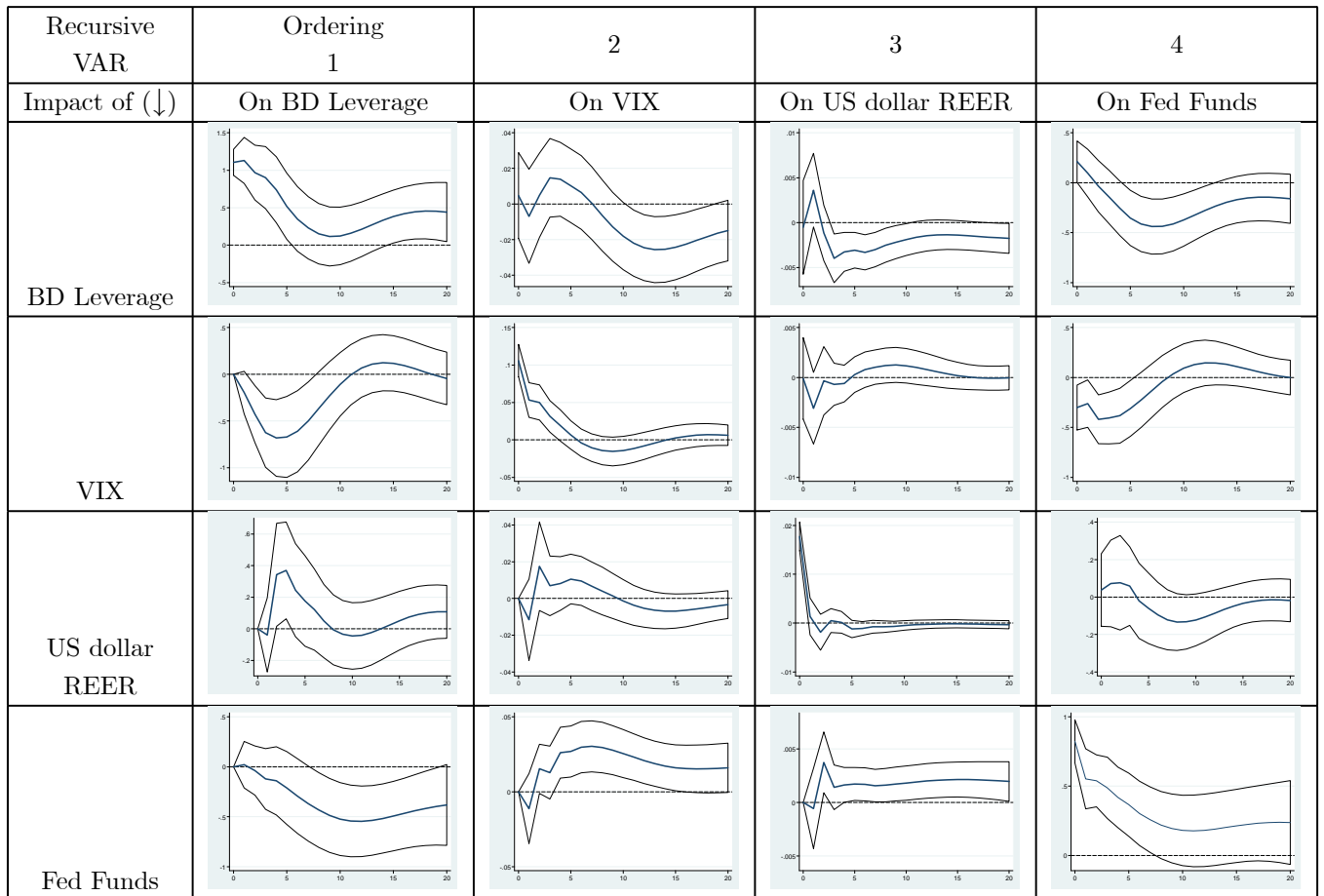| Recursive VAR	Ordering 1	2	3	4
Impact of (↓)	On BD Leverage	On VIX	On US dollar REER	On Fed Funds
BD Leverage				
VIX				
US dollar REER				
Fed Funds				

Figure 2. **Impulse response functions in recursive VAR.** This figure presents estimated impulse-response functions for the four variable recursive VAR. In this specification, the ordering of the four variables in the VAR is (1) broker dealer leverage (2) VIX (3) REER and (4) Fed Funds target rate. The panels shows 90 percent bootstrapped confidence intervals for the model with two lags, based on 1000 replications.

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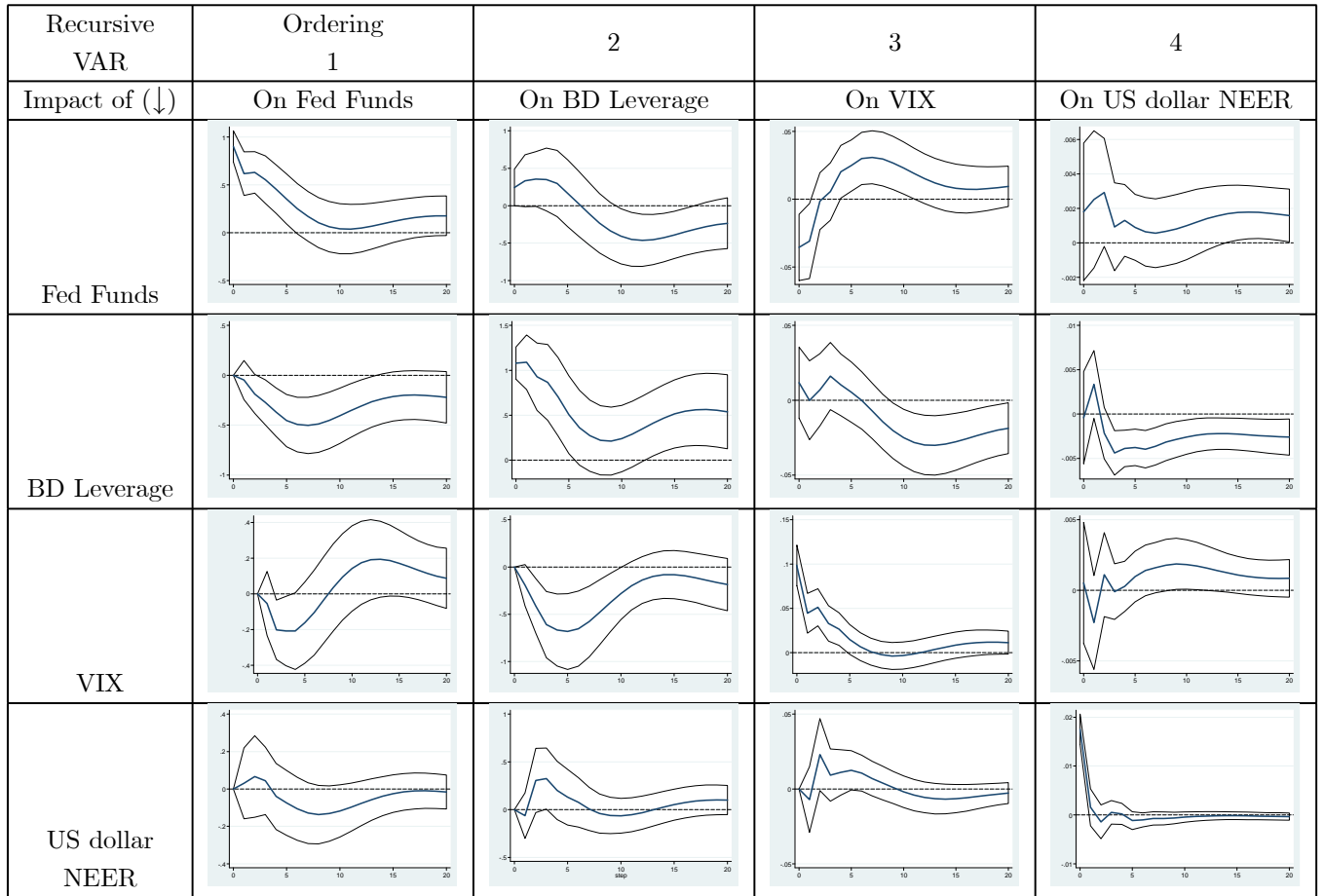| Recursive VAR	Ordering 1	2	3	4
Impact of (↓)	On Fed Funds	On BD Leverage	On VIX	On US dollar NEER
Fed Funds				
BD Leverage				
VIX				
US dollar NEER				

Figure 3. **Impulse response functions in recursive VAR.** This figure presents estimated impulse-response functions for the four variable recursive VAR. In this specification, we replace the US dollar Real Effective Exchange Rate (REER) variable with its nominal counterpart - the Nominal Effective Exchange Rate (NEER) for the US dollar. The ordering of the variables in the VAR is (1) Fed Funds target rate (2) broker dealer leverage (3) NEER and (4) VIX. The panels shows 90 percent bootstrapped confidence intervals for the model with two lags, based on 1000 replications.

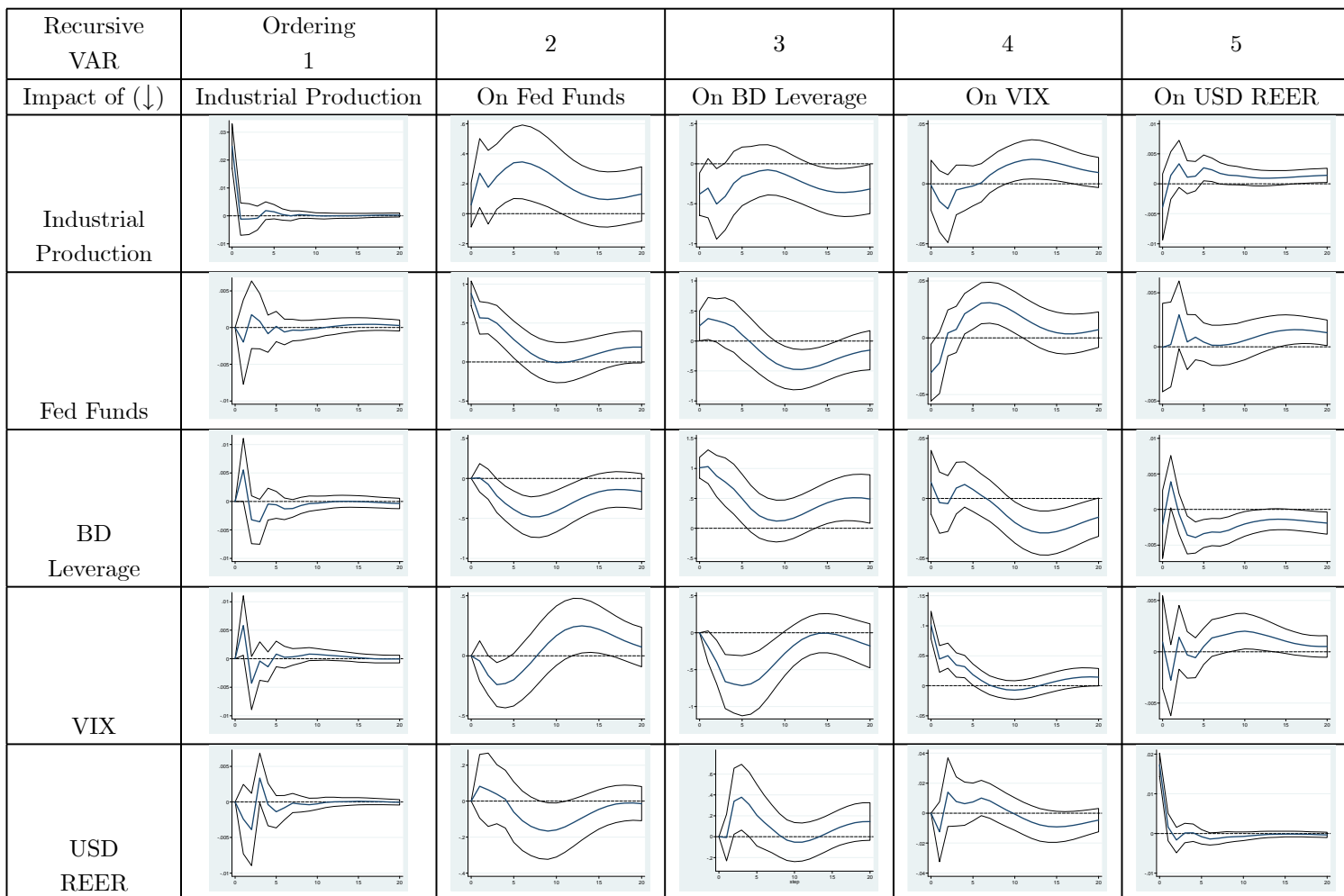| Recursive VAR	Ordering 1	2	3	4	5
Impact of (↓)	Industrial Production	On Fed Funds	On BD Leverage	On VIX	On USD REER
Industrial Production					
Fed Funds					
BD Leverage					
VIX					
USD REER					

Figure 4. **Impulse response functions in recursive VAR.** This figure presents estimated impulse-response functions for the five variable recursive VAR. In this specification, we add the log difference of total industrial production index as a variable in the VAR. This Figure reports the results of the five variable VAR where the ordering of the variables is (1) Industrial Production, (2) Fed Funds target rate (3) broker dealer leverage (4) VIX and (5) REER. The panels shows 90 percent bootstrapped confidence intervals for the model with two lags, based on 1000 replications.

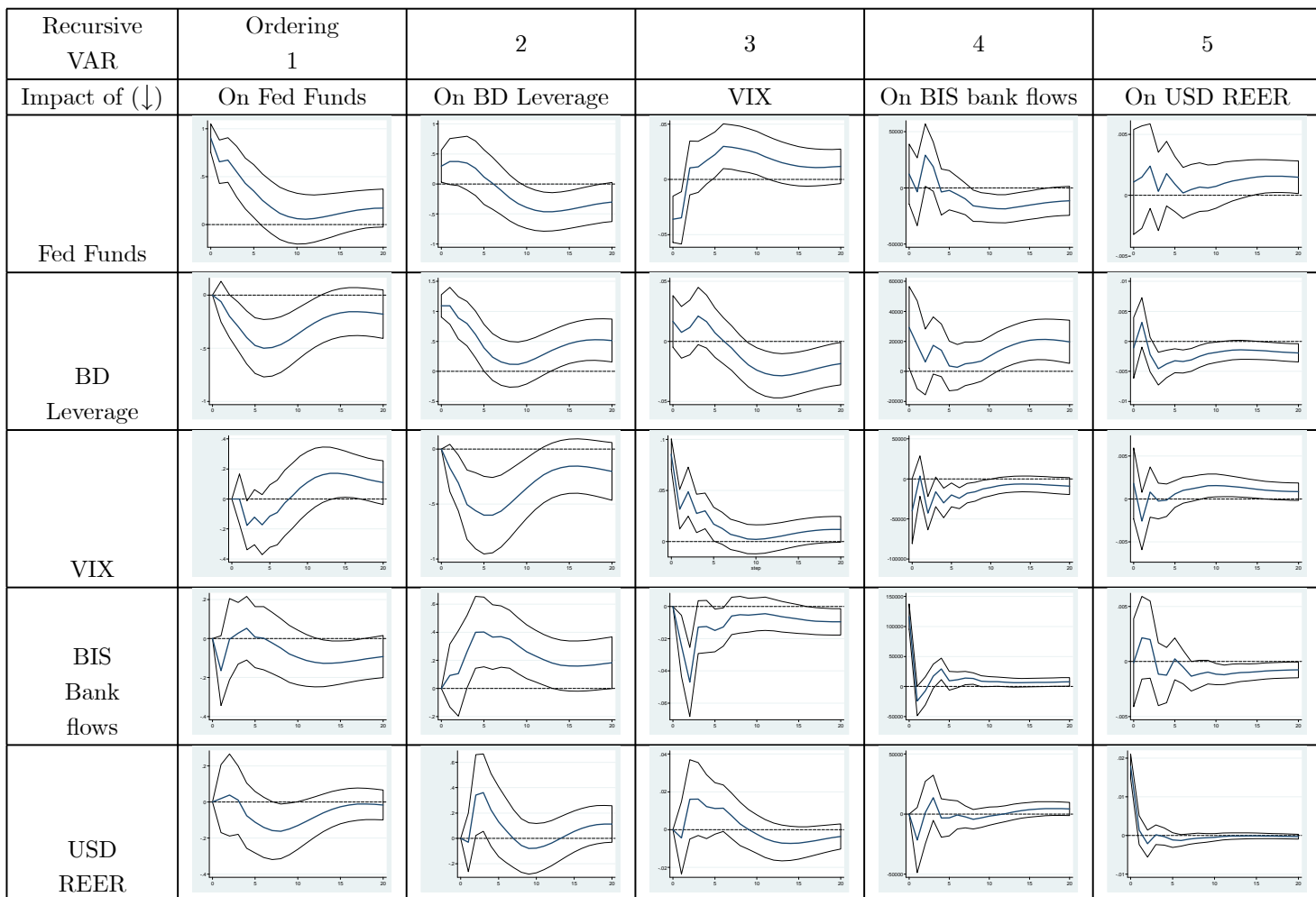| Recursive VAR	Ordering 1	2	3	4	5
Impact of (↓)	On Fed Funds	On BD Leverage	VIX	On BIS bank flows	On USD REER
Fed Funds					
BD Leverage					
VIX					
BIS Bank flows					
USD REER					

Figure 5. **Impulse response functions in recursive VAR.** This figure presents estimated impulse-response functions for the five variable recursive VAR. In this specification, we examine an alternative ordering of the five variable VAR involving the BIS capital flows variable reported in the main body of the paper. The ordering of the variables in the VAR is (1) Fed Funds target rate (2) broker dealer leverage (3) VIX (4) BIS bank capital flows and (5) REER. The panels shows 90 percent bootstrapped confidence intervals for the model with two lags, based on 1000 replications.