

## Impact of QE3 Tapering on the Global Economy – Pertinent Articles

Article Title	Date	Author	Highlights	Link
Implications of Quantitative Easing by Fed to Emerging Markets	Sep 2, 2013	International Finance Magazine	<ul style="list-style-type: none"> <li>• Portfolio rebalancing effect of QE: as yields on government securities decline, investors seek better rate of return flock to equity markets.</li> <li>• Tapering expectations have caused capital to flow out of EMs, resulting in currency devaluation.</li> <li>• Currency devaluation impedes ability of EM economies to pay USD denominated liabilities.</li> </ul>	<a href="http://www.internationalfinance.com/article/Implications-of-Quantitative-Easing-by-Fed-to-Emerging-Markets.html">http://www.internationalfinance.com/article/Implications-of-Quantitative-Easing-by-Fed-to-Emerging-Markets.html</a>
The Fed Erred in Ignoring Emerging Markets	Jan 29, 2014	Michael J. Casey (Wall Street Journal)	<ul style="list-style-type: none"> <li>• Fed failed to consider impact on EM when deciding to taper.</li> <li>• QE3 caused speculative bubbles in EM currency, commodity, financial markets, and real estate.</li> <li>• Outflow of capital from EM upon taper creates other problems.</li> <li>• Tapering could give rise to international tensions.</li> </ul>	<a href="http://blogs.wsj.com/moneybeat/2014/01/29/the-fed-erred-in-ignoring-emerging-markets/">http://blogs.wsj.com/moneybeat/2014/01/29/the-fed-erred-in-ignoring-emerging-markets/</a>
International Impact of the Federal Reserve's Quantitative Easing Program	Jan 9, 2014	Desmond Lachman (American Enterprise Institute for Public Policy Research)	<ul style="list-style-type: none"> <li>• In a highly integrated global economy, U.S. monetary policy has significant spillover effects on other global economies.</li> <li>• EM economies lulled into false sense of security by increased liquidity, allowing external and local imbalances to develop.</li> <li>• Fed's monetary policy loosening has contributed to loosening in the world's other major advanced economies.</li> <li>• Global liquidity may have undermined EM market discipline. Easy financing has led to postponement of needed structural reforms and budget adjustment in EM.</li> <li>• EMs may be in an improved position to deal with reversal of capital flows due to increased levels of international reserves, lower levels of external debt, and flexible FX regimes.</li> </ul>	<a href="http://www.aei.org/files/2014/01/09/-lachman-testimony-qe-january-2014_174839858461.pdf">http://www.aei.org/files/2014/01/09/-lachman-testimony-qe-january-2014_174839858461.pdf</a>
QE's Lingering Effect on Emerging Markets	Mar 13, 2014	Dawn Kissi	<ul style="list-style-type: none"> <li>• Countries with external imbalances or a reliance on external funding most vulnerable to effects of tapering.</li> <li>• Negative effects on EM economies will likely be temporary and part of their adjustment process back to normalization of monetary policy.</li> <li>• Tapering could temporarily negatively influence EM growth.</li> </ul>	<a href="http://openmarkets.cmegroup.com/7847/qes-lingering-effect-on-emerging-markets">http://openmarkets.cmegroup.com/7847/qes-lingering-effect-on-emerging-markets</a>
Fed Taper could spark Inflation	Dec 10, 2013	Antonia Oprita, Thierry Ogier, Chris Wright (Emerging Markets)	<ul style="list-style-type: none"> <li>• Tapering of QE risks flaring up inflation in EM.</li> <li>• Availability of cheap money throughout QE may have fuelled inflation in some EM countries by stimulating demand.</li> <li>• Gradual taper should reduce limit impact on inflation.</li> </ul>	<a href="http://www.emergingmarkets.org/Article/3266203/Fed-taper-could-spark-inflation.html">http://www.emergingmarkets.org/Article/3266203/Fed-taper-could-spark-inflation.html</a>

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Taper Effect: Here Comes a Bigger Market Correction	Feb 4, 2014	Murray T. Holland (CNBC)	<ul style="list-style-type: none"> <li>• Decreased short-term yields benefitted businesses and consumers by reducing their borrowing costs.</li> <li>• Low rates buoyed equity as investors sought higher yields.</li> <li>• QE failed to improve economy and ease unemployment.</li> <li>• Low demand for debt and slow economic growth will keep inflation in check.</li> <li>• Fed may resort to purchasing assets outside the banking system such as gold, ETF's and foreign bonds to increase economic growth and lower unemployment while causing inflation.</li> </ul>	<a href="http://www.cnbc.com/id/101387956">http://www.cnbc.com/id/101387956</a>
Fed's Taper Will Have Negligible Impact on Economy	Dec 18, 2013	Bill Conerly (Forbes)	<ul style="list-style-type: none"> <li>• Tapering is not tightening: accommodative monetary policy to continue.</li> <li>• QE is not the great driving force of the economy.</li> <li>• Fed is tapering because the economy is showing moderate strength.</li> <li>• Tapering will have little long term impact on spending, production, and employment.</li> </ul>	<a href="http://www.forbes.com/sites/billconerly/2013/12/18/fed-taper-not-changing-my-economic-forecast/">http://www.forbes.com/sites/billconerly/2013/12/18/fed-taper-not-changing-my-economic-forecast/</a>
Could the Fed's Taper Prove Inflationary?	Sep 5, 2013	Alen Mattich	<ul style="list-style-type: none"> <li>• Inflationary taper effect has already begun in EM.</li> <li>• Low inflation in advanced economies as a result of elevated unemployment and plenty of spare capacity.</li> <li>• Financial crisis destroyed capacity; inflation should rise at higher rates of unemployment than in pre-crisis years.</li> </ul>	<a href="http://blogs.wsj.com/moneybeat/2013/09/05/could-the-feds-taper-prove-inflationary/">http://blogs.wsj.com/moneybeat/2013/09/05/could-the-feds-taper-prove-inflationary/</a>
QE Tapering has had No Visible Effect on Markets	Mar 4, 2014	Dan Weil	<ul style="list-style-type: none"> <li>• Economy can handle the phase-out of the Fed's QE programs.</li> <li>• Improvements in key sectors of the economy suggest the market will be able to withstand significant tightening before there is any negative impact on growth.</li> <li>• Households also in reasonable shape to deal with increased interest rates.</li> </ul>	<a href="http://www.moneynews.com/Economy/Kaufman-economy-quantitative-easing/2014/03/04/id/555941/">http://www.moneynews.com/Economy/Kaufman-economy-quantitative-easing/2014/03/04/id/555941/</a>
Fed Policy has the Emerging World Lamenting the Dollar's Dominance	Feb 28, 2014	Michael Schuman (Time Magazine)	<ul style="list-style-type: none"> <li>• EM economies have been in turmoil since Fed signaled tapering in 2013.</li> <li>• Currencies of Turkey, South Africa, and India have declined significantly.</li> <li>• EM Central banks have responded by attempting to stabilize currencies, a move that could slow growth.</li> <li>• Decisions by the Fed ripple throughout the global economy.</li> <li>• EM economies knew that QE would be temporary. Should have been better prepared for the inevitable.</li> </ul>	<a href="http://time.com/#10689/fed-policy-has-the-emerging-world-lamenting-the-dollars-dominance/">http://time.com/#10689/fed-policy-has-the-emerging-world-lamenting-the-dollars-dominance/</a>

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What's Behind the Emerging-Market Meltdown	Jan 24, 2014	BloombergView	<ul style="list-style-type: none"> <li>• EM experiencing drop in currency, bond, and equity markets.</li> <li>• During QE3, depressed interest rates in advanced economies caused investors to direct capital towards EMs.</li> <li>• Following taper, capital to flow back to advanced economies.</li> <li>• Overdependence of EMs on U.S. dollar and policy mistakes exacerbate problem.</li> <li>• Taper too soon as inflation and labor markets yet to recover.</li> </ul>	<a href="http://www.bloombergview.com/articles/2014-01-24/what-s-behind-the-emerging-market-meltdown">http://www.bloombergview.com/articles/2014-01-24/what-s-behind-the-emerging-market-meltdown</a>
Is QE Really that Linked to Emerging Markets?	Feb 27, 2014	Jonathan Ratner (Financial Post)	<ul style="list-style-type: none"> <li>• Some doubt that QE has been a credible driver of EM growth in the past few years.</li> <li>• Private capital inflows into EMs peaked in 2007, before QE.</li> <li>• Forces preceding QE were primarily responsible for EM performance in past 10 years (e.g. economic reforms).</li> <li>• As developed markets recover, policy rates and yields will edge higher in EMs and developed markets.</li> </ul>	<a href="http://business.financialpost.com/2014/02/27/is-qe-really-that-linked-to-emerging-markets/">http://business.financialpost.com/2014/02/27/is-qe-really-that-linked-to-emerging-markets/</a>
The Taper Disaster that Wasn't	Jan 15, 2014	The Economist: Free Exchange	<ul style="list-style-type: none"> <li>• Most EM (emerging market) currencies actually appreciated following the Fed's tapering announcement.</li> <li>• India was the exception (17% currency depreciation).</li> <li>• Tapering signals improvement in American economy: positive for global trade.</li> <li>• EMs with credible fiscal and monetary policy have fared best.</li> </ul>	<a href="http://www.economist.com/blog/s/freeexchange/2014/01/quantitative-easing">http://www.economist.com/blog/s/freeexchange/2014/01/quantitative-easing</a>
How the U.S. Fed's Tapering can affect Indian Markets	Dec 5, 2013	D H Pai Panandiker (Reuters)	<ul style="list-style-type: none"> <li>• Reaction to tapering announcement was for foreign institutional investors to reduce exposure to EM economies in expectation that liquidity would be reduced and interest rates would rise.</li> <li>• Royal Bank of India has taken steps since initial tapering announcement to make up for the outflow of foreign investment.</li> <li>• Tapering unlikely to have significant impact on stock and currency markets.</li> </ul>	<a href="http://blogs.reuters.com/india-expertzone/2013/12/05/how-the-u-s-feds-tapering-can-affect-indian-markets/">http://blogs.reuters.com/india-expertzone/2013/12/05/how-the-u-s-feds-tapering-can-affect-indian-markets/</a>
International Impacts of the Federal Reserve's Quantitative Easing Program	Jan 9, 2014	Arvind Subramanian (Peterson Institute for International Economics)	<ul style="list-style-type: none"> <li>• Quantitative easing (QE) contributed to greater capital flows and exchange market pressures in EMs.</li> <li>• Threat of tapering QE3 created pressures in EMs, namely capital outflows and sharp currency adjustments.</li> <li>• Pressures were not uniform and were felt acutely in macroeconomically vulnerable economies.</li> </ul>	<a href="http://www.iie.com/publications/testimony/subramanian20140109.pdf">http://www.iie.com/publications/testimony/subramanian20140109.pdf</a>