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

<table>
<thead>
<tr>
<th>Article Title</th>
<th>Date</th>
<th>Author</th>
<th>Highlights</th>
<th>Link</th>
</tr>
</thead>
</table>
| Implications of Quantitative Easing by Fed to Emerging Markets               | Sep 2, 2013 | International Finance Magazine              | • Portfolio rebalancing effect of QE: as yields on government securities decline, investors seek better rate of return flock to equity markets.  
• Tapering expectations have caused capital to flow out of EMs, resulting in currency devaluation.  
• QE3 caused speculative bubbles in EM currency, commodity, financial markets, and real estate.  
• Outflow of capital from EM upon taper creates other problems.  
| International Impact of the Federal Reserve’s Quantitative Easing Program    | Jan 9, 2014 | Desmond Lachman (American Enterprise Institute for Public Policy Research) | • In a highly integrated global economy, U.S. monetary policy has significant spillover effects on other global economies.  
• EM economies lulled into false sense of security by increased liquidity, allowing external and local imbalances to develop.  
• Fed’s monetary policy loosening has contributed to loosening in the world’s other major advanced economies.  
• Global liquidity may have undermined EM market discipline. Easy financing has led to postponement of needed structural reforms and budget adjustment in EM.  
• 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. | http://www.aei.org/files/2014/01/09/-lachman-testimony-qe-january-2014_174839858461.pdf |
| QE’s Lingering Effect on Emerging Markets                                    | Mar 13, 2014 | Dawn Kissi                                  | • Countries with external imbalances or a reliance on external funding most vulnerable to effects of tapering.  
• Negative effects on EM economies will likely be temporary and part of their adjustment process back to normalization of monetary policy.  
| Fed Taper could spark Inflation                                              | Dec 10, 2013 | Antonia Oprita, Thierry Ogier, Chris Wright (Emerging Markets) | • Tapering of QE risks flaring up inflation in EM.  
• Availability of cheap money throughout QE may have fuelled inflation in some EM countries by stimulating demand.  
<table>
<thead>
<tr>
<th>Article Title</th>
<th>Date</th>
<th>Author</th>
<th>Highlights</th>
<th>Link</th>
</tr>
</thead>
</table>
| Taper Effect: Here Comes a Bigger Market Correction | Feb 4, 2014 | Murray T. Holland (CNBC) | • Decreased short-term yields benefitted businesses and consumers by reducing their borrowing costs.  
• Low rates buoyed equity as investors sought higher yields.  
• QE failed to improve economy and ease unemployment.  
• Low demand for debt and slow economic growth will keep inflation in check.  
• 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. | [http://www.cnbc.com/id/101387956](http://www.cnbc.com/id/101387956) |
| Fed’s Taper Will Have Negligible Impact on Economy | Dec 18, 2013 | Bill Conerly (Forbes)   | • Tapering is not tightening: accommodative monetary policy to continue.  
• QE is not the great driving force of the economy.  
• Fed is tapering because the economy is showing moderate strength.  
| Could the Fed’s Taper Prove Inflationary?         | Sep 5, 2013 | Alen Mattich            | • Inflationary taper effect has already begun in EM.  
• Low inflation in advanced economies as a result of elevated unemployment and plenty of spare capacity.  
| QE Tapering has had No Visible Effect on Markets  | Mar 4, 2014 | Dan Weil                | • Economy can handle the phase-out of the Fed’s QE programs.  
• 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.  
• Households also in reasonable shape to deal with increased interest rates. | [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/) |
| Fed Policy has the Emerging World Lamenting the Dollar’s Dominance | Feb 28, 2014 | Michael Schuman (Time Magazine) | • EM economies have been in turmoil since Fed signaled tapering in 2013.  
• Currencies of Turkey, South Africa, and India have declined significantly.  
• EM Central banks have responded by attempting to stabilize currencies, a move that could slow growth.  
• Decisions by the Fed ripple throughout the global economy.  
• EM economies knew that QE would be temporary. Should have been better prepared for the inevitable. | [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/) |
<table>
<thead>
<tr>
<th>Article Title</th>
<th>Date</th>
<th>Author</th>
<th>Highlights</th>
<th>Link</th>
</tr>
</thead>
</table>
| What’s Behind the Emerging-Market Meltdown                                  | Jan 24, 2014| BloombergView                 | • EM experiencing drop in currency, bond, and equity markets.  
• During QE3, depressed interest rates in advanced economies caused investors to direct capital towards EMs.  
• Following taper, capital to flow back to advanced economies.  
• Overdependence of EMs on U.S. dollar and policy mistakes exacerbate problem.  
| Is QE Really that Linked to Emerging Markets?                                | Feb 27, 2014| Jonathan Ratner (Financial Post) | • Some doubt that QE has been a credible driver of EM growth in the past few years.  
• Private capital inflows into EMs peaked in 2007, before QE.  
• Forces preceding QE were primarily responsible for EM performance in past 10 years (e.g. economic reforms).  
• As developed markets recover, policy rates and yields will edge higher in EMs and developed markets.                                   | http://business.financialpost.com/2014/02/27/is-qe-really-that-linked-to-emerging-markets/                           |
| The Taper Disaster that Wasn’t                                                | Jan 15, 2014| The Economist: Free Exchange  | • Most EM (emerging market) currencies actually appreciated following the Fed’s tapering announcement.  
• India was the exception (17% currency depreciation).  
• Tapering signals improvement in American economy: positive for global trade.  
• EMs with credible fiscal and monetary policy have fared best. | http://www.economist.com/blog/freeexchange/2014/01/quantitative-easing                                                                                     |
| How the U.S. Fed’s Tapering can affect Indian Markets                        | Dec 5, 2013 | D H Pai Panandiker (Reuters)  | • 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.  
• Royal Bank of India has taken steps since initial tapering announcement to make up for the outflow of foreign investment.  
• Tapering unlikely to have significant impact on stock and currency markets.                  | http://blogs.reuters.com/india-expertzone/2013/12/05/how-the-u-s-feds-tapering-can-affect-indian-markets/               |
| International Impacts of the Federal Reserve’s Quantitative Easing Program   | Jan 9, 2014 | Arvind Subramanian (Peterson Institute for International Economics) | • Quantitative easing (QE) contributed to greater capital flows and exchange market pressures in EMs.  
• Threat of tapering QE3 created pressures in EMs, namely capital outflows and sharp currency adjustments.  
• Pressures were not uniform and were felt acutely in macroeconomically vulnerable economies. | http://www.iie.com/publications/testimony/subramanian20140109.pdf                                                                                         |