

ONLINE APPENDIX
 GLOBAL SPILLOVERS FROM FED HIKES AND A STRONG DOLLAR: THE RISK CHANNEL
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A1. Data

Our data is of quarter frequency, and covers the period 1990q1-2019q4. In our analysis, we drop hard pegs and dual markets exchange rate countries, i.e. classifications 1 and 6 from Ilzetki, Reinhart and Rogoff (2022). We work with an unbalanced panel composed of managed and pure floats. We have a total of 59 countries in the sample which we use to run the EM vs AE exercises. We list the countries in Table A1.

Below we describe the variables we use and we summarize data sources in Table A2. Descriptive statistics are reported in Table A3.

- 12m UIP deviation: calculated as the difference between log interest rate differentials and the gap between log expected and spot exchange rate, all at the same horizon. Log interest rate differentials are the short-term government bond or policy rate differentials vis-à-vis the United States. The log expected exchange rate is the 12-month ahead expected exchange rate as of month t and the log exchange rate is the spot rate (period average), both nominal and in terms of local currency per U.S. dollar.
- GDP: real seasonally adjusted
- CPI: period average
- Dollar shock: trade-weighted dollar index against a basket of G10 currencies from FRED (ticker DTWEXBGS). We use end of quarter observations and weights by merchandise trade weights.
- 12 month US treasury rate
- Gertler and Karadi (2015) shock: averaged monthly weighted raw surprises in 3-month Fed Fund Futures (FF4) from Gertler and Karadi (2015)

Table A1—: Country Sample

Advanced Economies	Emerging Economies			
Denmark	Albania	Czech Republic	Mauritius	Slovak Republic
Finland	Argentina	Ecuador	Mexico	South Africa
Germany	Armenia	Egypt	Morocco	Thailand
Iceland	Azerbaijan	Guatemala	Pakistan	Tunisia
Ireland	Belarus	Hungary	Paraguay	Turkey
Israel	Brazil	India	Peru	Uruguay
Italy	Bulgaria	Indonesia	Philippines	
New Zealand	Chile	Kazakhstan	Poland	
Norway	China	Korea	Romania	
Spain	Colombia	Latvia	Russia	
Switzerland	Costa Rica	Malaysia	Serbia	
	Croatia	Malta	Singapore	

Note: We follow the IMF 2000 World Economic Outlook country groups classification. Because we measure U.S. monetary policy spillovers, we drop the U.S.

Table A2—: Data sources

Variable	Source
GDP	WEO
CPI	IFS
12m UIP deviation	Bloomberg, IFS and Consensus Forecast
US 12m treasury bill	Bloomberg
Gertler and Karadi (2015) shock	Updated version of Gertler and Karadi (2015)
Dollar shock	FRED

Table A3—: Descriptive Statistics (1990q1-2019q4)

	mean	sd	min	max
GDP growth differential with US	0.004	0.024	-0.154	0.673
Inflation differential with US	0.016	0.030	-0.026	0.131
12m UIP deviation	0.028	0.041	-0.104	0.158
12m US treasury rate	0.032	0.023	0.001	0.083
GK(15) shock	-0.011	0.030	-0.179	0.056
Dollar shock	-0.005	0.334	-0.850	0.868

Note: This table summarizes the descriptive statistics of the variables used in the empirical analysis for the period 1990q1-2019q4. Variables are as explained above.

A2. Additional Results

We also study the dynamics effects on nominal exchange rate. We show results in Figure A1.

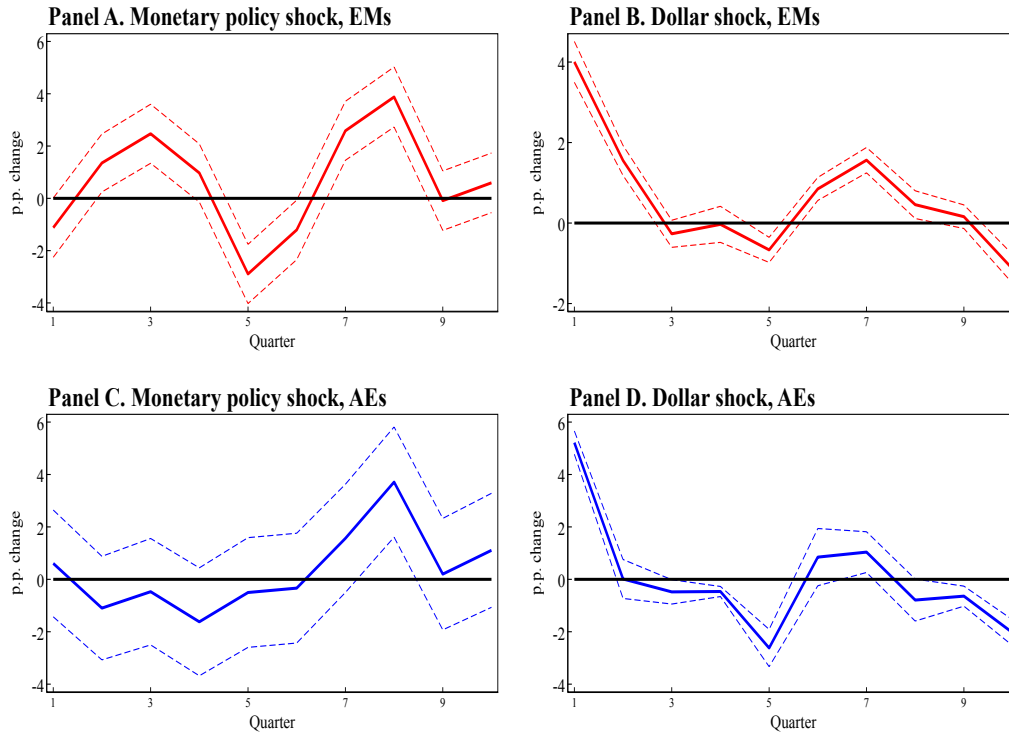


Figure A1. : IRFs for Nominal Exchange rates for U.S. Monetary Policy and Dollar Shocks

Notes: Figure shows the impulse response function of Exchange rate to the monetary policy shock and the dollar shock, following specifications 1 and 2 respectively. Dependent variable is defined as the growth rate of nominal exchange rate (quarter to quarter). Panels A and B are for EMs; panels C and D are for AEs.

A3. Robustness

We include other global controls such as the oil price index from IMF, and the median of the trade balance within each group.¹

¹In particular we used POILAPSP index from IMF.

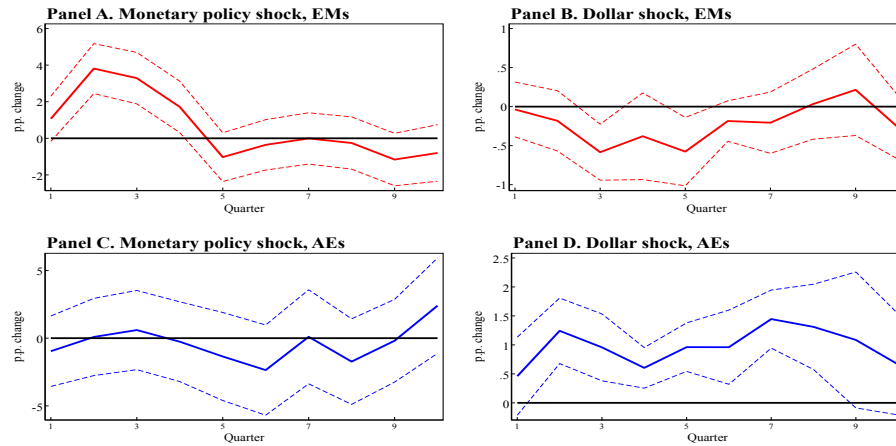


Figure A2. : The UIP Premia: Response to U.S. Monetary Policy and Dollar Shocks w/Global Controls

Notes: Figure shows the impulse response function of UIP premia to the monetary policy shock and the dollar shock, following specifications 1 and 2 respectively. We include as controls the contemporaneous and four lags of: oil price index (logs) and the median trade balance within each group of countries. Panels A and B are for EMs; panels C and D are for AEs.

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References

- Gertler, Mark and Peter Karadi**, “Monetary policy surprises, credit costs, and economic activity,” *American Economic Journal: Macroeconomics*, 2015, 7 (1), 44–76.
- Ilzetzi, Ethan, Carmen M. Reinhart, and Kenneth S. Rogoff**, “Rethinking exchange rate regimes,” in “Handbook of international economics,” Vol. 6, Elsevier, 2022, pp. 91–145.