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Opening Remarks

by

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Thank you, Olesya, and thank you for the invitation to speak to you today. It is such a pleasure to contribute to this conference.

Our profession has increasingly recognized, especially after the Global Financial Crisis, that research in the interdisciplinary topics between macroeconomics and finance is indispensable both for monetary policy and for promoting financial stability. As a researcher myself, and having spent many years in academia, I place great value on the social contribution of research and its potential to improve policymaking.

I want to express my appreciation for your efforts in using macro-financial data and theoretical models to enlighten us on several critical issues. For instance, let me cite a few topics of the conference that shed light on important issues:

- The work on the transmission of monetary policy to both households and firms provides insights into how policy decisions ripple through the economy, a topic I recently addressed in a speech at the University of Minnesota. In this speech, I discussed my approach to monitoring monetary policy transmission and highlighted some of its key elements, such as the long and variable lags associated with policy effects.
- The exploration of the neutral rate of interest—that which neither slows nor stimulates economic activity—provides another angle to this important concept. This is a topic I have addressed in previous remarks, and I am especially interested in the potential factors that can affect the neutral rate.
- The work on how and why financial conditions faced by firms and households change with data releases and underlying macroeconomic conditions also

enhances our grasp of the complex interplay between economic indicators and real-world financial experiences.

- The research on the functioning of the Treasury securities market and how it is affected by regulatory constraints sheds light on a crucial aspect of our financial system.

I commend you for pushing ahead with a research agenda that furthers our understanding of topics so relevant to our monetary policymaking.

In the spirit of stimulating your research appetite, I'd like to mention some topics that have captured my attention recently. These represent emerging challenges and opportunities in the field, and I believe they warrant further investigation.

First, recently, I have been paying attention to the possible interaction between the financial vulnerabilities of firms and their exposure to trade. As global economic tensions rise and supply chains evolve, understanding how a company's financial health intersects with its international trade exposure becomes increasingly crucial. This research could provide valuable insights for both policymakers and business leaders navigating an uncertain global economic landscape.

Second, lately, I have been monitoring the financial stability implications of the potential lower desirability of U.S. financial assets in flight-to-safety events. Traditionally, U.S. assets have been seen as a safe haven during times of global economic uncertainty. One notable example of this was during the Global Financial Crisis. However, we recently saw instances in which the VIX went up, stock prices went down, long-term yields from U.S. Treasury securities went up, and the U.S. dollar depreciated against the currencies of advanced foreign economies (AFEs), with a notable role for the euro. Importantly, the historical relationships and the observed moves in the VIX and interest rates of AFEs would have been associated with a decrease in long-term yields from U.S. Treasury securities and an appreciation of the dollar. As the global economic landscape shifts, it is crucial to examine how possible changes in the role of U.S. financial assets as a safe haven might affect financial stability both domestically and internationally.

Lastly, I have been keenly interested, for some time now, in how stresses in the commercial real estate (CRE) sector could potentially spill over to the rest of the U.S. economy. The CRE sector continues to face challenges from low vacancy rates and valuation losses, especially in urban centers for the office sector. Another challenge is that some banks, insurers, and securitization vehicles continued to have concentrated exposures to CRE. As we have seen in past crises, such as the Global Financial Crisis, vulnerabilities in specific sectors can have far-reaching consequences for the financial system. Understanding potential vulnerabilities and potential domino effects are vital for maintaining overall economic stability and crafting preemptive policies.

These, I believe, represent some of the most pressing questions facing our field today. They offer rich opportunities for groundbreaking research that could significantly influence future policy decisions.

In conclusion, I want to reiterate my gratitude for the vital work you are all doing. Your research not only advances our understanding, but it also provides a solid foundation for informed policymaking. As we navigate the complex interplay of macroeconomics and finance in an ever-changing global landscape, the importance of your work cannot be overstated.

I encourage you to continue pushing the boundaries of our knowledge, to ask the difficult questions, and to pursue the answers with rigor and dedication. Your efforts today will shape the policies of tomorrow, influencing the economic well-being of millions.

Thank you for your attention, and I look forward to the insightful discussions and presentations that will unfold during this conference.