SCIENTIFIC THEORETICAL VIEWS OF THE TRANSMISSION MECHANISM CHANNEL

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Monetary policy also depends on the efficiency of transmission mechanism channels and the results obtained.plab we can see scientific studies. In our scientific work, we will research the scientific works focused on the influence of the channels of the transmission mechanism on the economy.

D. Vaianos and JL Vila in their scientific worksmodeled the interest rate channel and found that it occurs as a result of the interaction between investors' time preferences and risk appetite (arbitrageurs). According to the analysis, shocks in short-term interest rates are transmitted to long-term interest rates through arbitrageurs' trading in the stock market. Arbitrageurs benefit from transmitting these short-term interest rate shocks through bond risk premiums, which have been found to be directly proportional to movements in the interest rate structure. If short-term interest is the only risk factor, changes in investor demand will have the same effect on interest rates for all maturities, regardless of where they originate. The analysis showed that long-term interest rates are less affected than short-term interest rates. Buying large amounts of assets can be more effective in moving long-term interest rates, especially when focused on long periods.[1]

In our opinion, the econometric models used in this study show how long-term interest rate movements and their market reaction take place, taking into account the interaction of short-term interest rates and demand among investors. This modeling helps to understand the relationship between investor demand and interest rates. The results show that large asset purchases and forecasts play an important role in moving long-term rates, which provides important implications for economic policy and monetary policy planning.

By M. Gubareva and MRBorgesstudied the sensitivity of emerging market corporate debt to interest rates. According to them, in previous studies, the sensitivity of corporate bonds to interest rates depends on the maturity, creditworthiness of issuers, included options and other individual factors. However, the dependence of sensitivity to interest rates on the stages of the economic cycle has not received much academic attention. Their research provides empirical

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[1]Vaianos, D., & Vila, JL (2021). A preferred-habitat model of the term structure of interest rates. Econometrica, 89(1), 77-112.

evidence and theoretical explanations for the bifurcation of interest rate sensitivities across phases of the cycle and shows how credit transmission reacts to interest rates. The research, analyzed using statistical data from 2004-2016, suggests that hedging against interest rates should be dynamic and take into account where the economy is in the current economic cycle.[2]

We believe that this research has provided important insights into the nature of interest rate sensitivity that can help improve financial stability and improve the efficiency of the financial system. Also, the econometric models used in the study are significant in that they are designed to study how sensitivity to interest rates changes at different stages of the economic cycle. The results show that the relationship between interest rates and credit spreads is complex, and the stages of the economic cycle affect the sensitivity. This means, in particular, that the interest rate risk management process needs to be flexible and dynamic.

J. Cloyne, C. Ferreira and P. Surico in their researchin their research, they analyzed how changes in monetary policy affect the consumption level of the population. Using statistics from the US and UK, it shows that most of the overall response of consumption to interest rates is driven by households paying off their mortgages. The analysis showed that homeowners did not change their spending at all in response to changes in interest rates, while renters did change their spending somewhat, but to a lesser extent than those with mortgages. They also argue that because interest rate cuts directly affect business investment and household consumption, incomes for all families will increase, which will increase aggregate demand. The econometric models used in the study were used to examine changes in consumption between mortgage payers and home owners. The obtained results show that mortgage-paying families are more sensitive to changes in interest rates, because the composition of their assets consists of illiquid assets. It also increases the impact of changes in monetary policy on consumption and investment, thereby helping to boost aggregate demand.[3]

ML Brandao-Marquezand according to others, the central banks of countries with developing and developing economies (Emerging Markets and Developing Economies - EMDEs) are modernizing their monetary policy frameworks, often switching to inflation targeting policy. However, questions about the strength of monetary policy transmission from interest rates to inflation and output have often stalled this process. To test this hypothesis, they conducted a new econometric

[2] Gubareva, M., & Borges, MR (2022). Governed by the cycle: interest rate sensitivity of emerging market corporate debt. Annals of Operations Research, 313(2), 991-1019.

[3] Cloyne, J., Ferreira, C., & Surico, P. (2020). Monetary policy when households have debt: new evidence on the transmission mechanism. The Review of Economic Studies, 87(1), 102-129.

analysis for the economies of 40 developing countries based on Jordà's approach and clarified the monetary policy transmission mechanism in these countries. The results of the analysis showed that the increase in interest rates, especially taking into account the movement of the exchange rate, led to a decrease in economic growth and inflation. They concluded that the adoption of inflation targeting policies and the presence of independent and transparent central banks in modern monetary policy are more important for monetary policy transmission than financial development.[4]

BSBernanke said that in order to overcome the various monetary restrictions caused by the low level of short-term interest rates in the money market, the Federal Reserve System and the central banks of other developed economies have used new monetary policy instruments in recent years. In the scientific research conducted by this economist, it was noted that new monetary instruments, in particular, quantitative easing (QE) and forward guidance, are considered as the main new instruments used by the FZT. He notes that the new instruments have been effective in easing financial conditions when central banks' key interest rates are low, and they may be even more effective in the future. He emphasized that new monetary instruments should be included in the set of standard central bank instruments. Simulations from the model used in FZT show that if the nominal neutral interest rate is in the range of 2-3 percent, which is consistent with many estimates for the US, then a combination of quantitative easing (QE) and forward-looking policy is around 3 percent. gap, and this largely compensates for low-threshold effects. The econometric models used in his research are designed to simulate the effects of monetary policy. The results show that new monetary instruments, particularly quantitative easing (QE) and forward guidance, are effective in easing economic conditions further. It also suggests that if the neutral interest rate is low, there is a need to strengthen countermeasures against constraints on money market rates.[5]

Used literature

Vaianos, D., & Vila, JL (2021). A preferred-habitat model of the term structure of interest rates. Econometrica, 89(1), 77-112.

Gubareva, M., & Borges, MR (2022). Governed by the cycle: interest rate sensitivity of emerging market corporate debt. Annals of Operations Research, 313(2), 991-1019.

[4]Brandao-Marques, ML, Gelos, MR, Harjes, MT, Sahay, MR, & Xue, Y. (2020). Monetary policy transmission in emerging markets and developing economies. International Monetary Fund.
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