



PRESENTATION

Degree: Master of Banking and Financial Regulation

This aim of this subject is to introduce relevant concepts, such as financial, current account, sovereign debt and banking crisis as well as economic bubbles. The context is the recent historical experiences. Additionally we explore the inter-connection between the real economy and the financial part of the economy, emphasizing the role of monetary policy, bank stress tests and current economic environment.

Coordinator: Antonio Moreno Ibáñez

- Antonio Moreno Ibañez, Universidad de Navarra (antmoreno@unav.es).

Professors:

- Antonio Moreno Ibañez (Universidad de Navarra)
- Vitor Constancio (Universidad de Navarra, former VP ECB)
- Eva Ortega (Banco de España)
- Alejandro Ferrer (Banco de España)

COMPETENCES

The goal of this class is to expose students to the economic environment surrounding the banking industry. We will explore three dimensions of this environment:

- Monetary Policy and Banking
- Economic Focus: Current Situation, Forecasts of the World/European/Spanish Economy
- International Economics

Cross-Field Competencies

1. Logical reasoning
2. Analysis and synthesis of economic/financial problems
3. Team-work
4. Task planning and time management
5. Self-learning
6. Basic research techniques

Specific Competencies



1. Get to know concepts and fundamental methods in Economic Theory
2. Apply Economic Theory to analysis and discussion of real situations
3. Reach normative conclusions, relevant for economic policy, based on positive knowledge
4. Manage concepts and fundamental methods of finance
5. Historical perspective of economic/finance developments

PROGRAM

1ST PART: BANKING, MONETARY POLICY IMPLEMENTATION, YIELD CURVE AND 2008 CRISIS IMPLICATIONS FOR BANKING REGULATION (ANTONIO MORENO, UNAV)

1. *Banking Management and Economics*

- Liquidity- Asset- Liabilities
- Capital Requirements
- Credit / Default Risk
- Interest Rates
- Micro-prudential v/s Macro-prudential regulation

2. *Monetary Policy Implementation*

- The ECB: Operational Structure
- Liquidity Injection:
- Multiple Deposit Creation and Process of Money Creation
- Money Supply Determinants
- Monetary Policy Instruments
- Interbank Interest Market

3. *Monetary Policy Design*

- Intermediate and Final Targets
- Monetary Policy Rules
- Practical Example, Monetary Policy Rules



4. Yield Curve Analysis

- Explaining the yield curve fundamentals
- Expectations Hypothesis and Term Premiums
- Yield Curve Forecasting Power
- Interest rate spreads, net interest margins and effects on banks

5. The 2008 Crisis and the European Banking Union (EBU)

- Aftermath of the financial crisis
- Macroeconomic motivation behind the *EBU*

6. Further Relevant Topics

- The rise of inflation
- The Euro challenges: Fiscal Union, Anti-Fragmentation Mechanism (TPI)
- International Financial Crises: Original Sin, Banks' Balance Sheets

2ND PART: MONETARY POLICY TRANSMISSION MECHANISMS. CONVENTIONAL AND UNCONVENTIONAL MONETARY POLICIES. FUTURE MONETARY POLICY FRAMEWORKS

(VITOR CONSTANCIO, Ex-VP ECB)

1. Monetary Policy Transmission Mechanisms

1.1 Statistical Models

- VAR Models: Layout, Impulse Responses and Forecasts

1.2. Monetary Policy Structural Models and Transmission Mechanisms

a. DSGEs: An introduction

b. A standard small-scale New-Keynesian model (DSGE Model)

c. Monetary Transmission Channels

- In the closed-economy
- In the open-economy



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- Asymmetric information
- Balance Sheet
- Stock Market

2. Unconventional Monetary Policy

- Monetary Policy when interest rates are close to zero
- Targeted at increasing economic activity
- (a) Quantitative Easing
- (b) Forward Guidance and yield curve management
- Targeted at enhancing financial stability

3. Future Monetary Policy Frameworks

3rd PART: BANKING STRESS TESTS

(ALEJANDRO FERRER, BdE)

Stress Tests in Europe: A Macroeconomic Perspective

1. Introduction to macro stress tests
2. Scenarios: Impact on Bank Capital
3. Data and models
4. Results, stress tests in practice and recent trends, climate risk

4th PART: THE SPANISH ECONOMY IN THE CONTEXT OF THE EMU: RECENT DEVELOPMENTS AND CHALLENGES AHEAD

(EVA ORTEGA, Banco de España)

1. Analysing the macroeconomy

1. Nowcasting and forecasting



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2. The National Accounts
3. Other economic indicators
4. Macroeconomic models for short-term and medium-term forecasting
5. Main (BdE) macroeconomic models for the Spanish Economy
6. Macroeconomic projections

II. The GCC (Great COVID19 Crisis)

1. COVID19: What type of shock?
2. Economic impact 2020
3. The financial system and the macroeconomy during COVID19
4. Economic impact 2021

III. War in Europe and the Energy crisis

1. The energy crisis and the Russian invasion of Ukraine in 2022
2. Macro projections in 2023

EDUCATIONAL ACTIVITIES

Class notes

Presentations

Conferences

Exam

GRADING

CONVOCATORIA ORDINARIA

Final Exam 80%

Class Participation 20%

CONVOCATORIA EXTRAORDINARIA

Final Exam 80%

Class Participation 20%

OFFICE HOURS

Via email with professors:



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BIBLIOGRAPHY

1. Class Materials

2. Books / Papers

MONETARY POLICY AND BANKING

- Bernanke, B.S. (2002) "Deflation, Making Sure It Does Not Happen Here", <http://www.federalreserve.gov/boarddocs/speeches/2002/20021121/default.htm>
- Hubbard, G. (1998) "Capital-Market Imperfections and Investment In Journal of Economic Literature", Journal of Economic Literature [Localízalo en la Biblioteca](#) (Revista completa)
- Freixas, X. (2009) "Monetary Policy in a Systemic Crisis", Oxford Review of Economic Policy 4, 630-653. [Localízalo en la Biblioteca](#)
- Mishkin, F.S. (2012) "Economics of Money, Banking, and Financial Markets", Ed. Pearson. [Localízalo en la Biblioteca](#)
- Rajan, R. (2010) "Fault Lines", Princeton University Press. [Localízalo en la Biblioteca](#)
- Calomiris, C. and Haber, S. (2015) "Fragile by Design", Princeton University Press. [Localízalo en la Biblioteca](#)
- King, M. (2016) "The End of Alchemy", Norton Press [Localízalo en la Biblioteca](#)

THE SPANISH ECONOMY IN THE CONTEXT OF THE EMU: RECENT DEVELOPMENTS

AND CHALLENGES AHEAD

- Banco de España. Quarterly report on the Spanish Economy <https://www.bde.es/wbe/en/publicaciones/analisis-economico-investigacion/informe-trimestral-economia-espanola/>
- Banco de España. Annual report <https://www.bde.es/wbe/en/publicaciones/informes-memorias-anuales/informe-anual/>