

< A Black Swan in the Money Market



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John B. Taylor

John C. Williams

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**Article Information** 

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### **Abstract**

The recent financial crisis saw a dramatic and persistent jump in interest rate spreads between overnight federal funds and longer - term interbank loans. The Fed took several actions to reduce these spreads including the creation of the Term Auction Facility (TAF). The effectiveness of these policies depends on the cause of the increased spreads such as counterparty risk, liquidity, or other factors. Using a no-arbitrage pricing framework and various measures of risk, we find robust evidence that

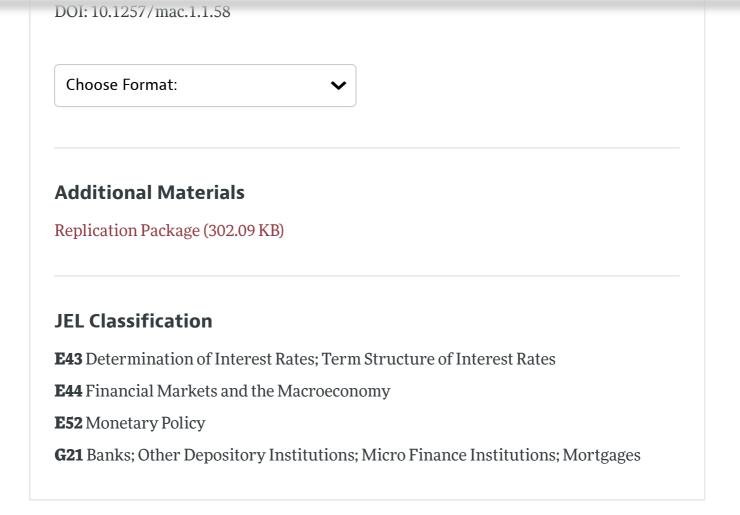
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