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# The stimulus schemes will stress the financial system

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## Significance

While the Federal Reserve (Fed) rejects negative interest rates, and instead considers yield-curve control, even the prospect of negative US rates is accentuating distortions in asset prices and fuelling concerns about global financial stability after the pandemic.

## Impacts

- The Fed’s decision to start buying corporate debt has led to a surge in bond issuance; many firms may struggle as the stimulus is unwound.
- Beyond Japan, the euro-area is nearest deflation; the ECB chief economist warns that demand will be low for some time.
- The VIX Index, a measure of upcoming US equities volatility, remains above its long-term average, but will be prone to spikes.

