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Financial Stress Indicator Variables and Monetary Policy in South Africa

Leroi RAPUTSOANE

Abstract

Abstract. This paper analyses the relationship between financial stress indicator variables and monetary policy in South Africa with emphasis on how robust these variables are related to the monetary policy interest rate. The financial stress indicator variables comprise a set of variables from the main segments of the South African financial market that include the bond and equity securities markets, the commodity market and the exchange rate market. The empirical results show that the set of financial stress indicator variables from the bond and equity securities markets as well as those from credit markets and property markets are robustly associated with the monetary policy interest rate, while the set of financial stress indicator variables from commodity markets and the exchange rate market are weakly associated with the monetary policy interest rate.

Keywords. Financial stress indicator variables, Monetary policy.

JEL. C32, C51, E52, E61, G01, G10.

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