How to Remain Financially Stable Throughout The 2020 Novel Coronavirus [COVID-19] Pandemic

The global spread of the coronavirus is a human tragedy unfolding across the world.

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LOS ANGELES, CALIFORNIA, UNITED STATES OF AMERICA, April 22, 2020 /EINPresswire.com/ -- Quantifying the economic impact is complex, giving rise to significant uncertainty about the economic outlook and the associated downside risks. Such an abrupt rise in uncertainty can put both economic growth and financial stability at risk. In addition to targeted economic policies and fiscal measures, the right monetary and financial stability policies will be vital to help buttress the global economy.

Measures of economic uncertainty such as equity market volatility increased sharply in countries around the world. Stock markets in major economies, such as the United States, the Euro area, and Japan, all fell sharply and witnessed a surge in implied volatility as skittish investors tried to factor in the latest risks posed by the new virus.

The sharp tightening in financial conditions, along with expectations of low inflation, means that monetary policy has a role to play at the current juncture. Central banks can act quickly to help ease the tightening of financial conditions by injecting liquidity and cutting interest rates, thus preventing a possible credit crunch. Markets have been anticipating aggressive easing by central banks, as reflected in the sharp fall in sovereign bond yields in many countries around the world.

If economic and financial conditions were to deteriorate further, policymakers could revert to the broader toolkit that was developed during the financial crisis. For example, the Federal Reserve launched the Term Asset-Backed Securities Loan Facility in 2009, which provided targeted funding. The Bank of England and the U.K. Treasury introduced the Funding for Lending Scheme, where a funding subsidy was provided to incentivize the expansion of lending to households, small and mid-sized enterprises, and non-financial corporates. Other authorities, too, have deployed variants of such lending schemes that aim at lowering the costs of borrowing in certain sectors.

Dan Joelson
Car Title Loans California
+1 310-989-1989
email us here
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Facebook
Twitter
