Research Agenda

Dr. Moon Oulatta

Research Orientation

My area of expertise is in macroeconomics, specifically in monetary and financial economics. I prioritize macro-relevant topics in my research curriculum. My work is centered on macroprudential policies, financial stability, and the role of monetary policy in minimizing macroeconomic volatility in emerging and advanced in economies. I came to an understanding that without solving the short-run macroeconomic issues first, it would be difficult for countries to progress through the various stages of growth. For instance, without price stability, national wealth would be unstable and foreign direct investment would be lower. Additionally, poor fiscal sustainability would lead to severe debt feedback effects, impairing future consumption and growth. Additionally, without an active exchange rate policy, it would be difficult for countries to remain competitive and attain the diffusion stages of growth. Thus, understanding that these short-run issues are equally important in stabilizing economic performance, my contemporary research curriculum focuses primarily on short-run macroeconomic issues in emerging and advancing economies. More importantly, most of my research papers emphasize strong macroeconomic models (for example, I rely mostly on DSGE models) and innovative empirical frameworks (for example, text-mining, survival analysis, and non-linear probability models).

- *Macroeconomics: financial economics research (accepted conference papers, under peer review)*
  1. *Understanding Chronic Bank Failures in Minnesota (under peer review)*

     This paper examines the causes of chronic bank failures in Minnesota as means to develop an early warning mechanism to help state policymakers identify fragile banks and uncover the key factors that influence banking crises. The study relies on the cox proportional-hazard model to estimate the factors that influence the survival distribution function of Minnesota's banks during the Great Recession period of 2008-2015. The key bank-specific variables that affect the instantaneous rate of bank failure include: credit risk exposure to real estate loans, profitability, operating costs, and earnings coverage for loan losses. More importantly, the empirical results derived here show that those banks that faced higher portfolio exposure to real estate prior to the start of the Great Recession faced a higher probability of failure during the Great Recession. FDIC's insured banks are required to maintain sound written lending policies. However, aggregate loan portfolio in Minnesota remains highly concentrated in real estate loans, which means that there is room for regulation at the state level. Consequently, this study also discusses a proposal for stronger loss contingency regulations as means to address loan concentration risks for state-chartered banks. The policy proposal provides some elementary guidelines to help those state-chartered banks that are most likely to be vulnerable to concentration risks in the prospect of increased macroeconomic stress.

  2. *Monetary Policy and Asset Returns in Vietnam (under peer review)*

     This paper assesses the significance of the asset price channel of monetary policy in Vietnam. We estimate a New Keynesian (DSGE) model using Bayesian techniques and successfully match the relevant empirical results with a large-scale factor-augmented vector autoregression model (FAVAR). We find robust empirical evidence of a significant asset price channel of monetary policy in Vietnam: impulse responses of stock returns to monetary policy shocks (both positive and negative) are significant and consistent with standard macroeconomic theory. This is the first study in literature to provide empirical evidence of the impact of adverse and expansionary monetary policy shocks on different sectors of the Hanoi and Ho Chi Minh Stock exchanges by relying on an FAVAR model. More importantly, the results derived here highlight the relative importance of incorporating a rich-data environment in identifying monetary policy shocks. Here, we demonstrate that the FAVAR model provides consistent and more meaningful impulse responses in contrast to the widely used small-scale recursive VARs.

  3. *Commodity Price Uncertainty and Bank Lending: Evidence from Leading Cocoa Exporters (under peer review)*

     Most studies prioritize the mean-effect of commodity prices (first-moment shocks) in explaining financial developments in developing countries. Contrastingly here, this manuscript highlights the equal importance of the uncertainty-effect of commodity prices (second-moment shocks) in shaping financial conditions in developing countries. Using the top cocoa-exporting countries as a case study, this paper illustrates a new bank lending channel through which the uncertainty *vis-à-vis*

the spread in international cocoa prices leads to a severe contraction in commercial loans supply in Brazil, Cameroon, Colombia, *Côte d'Ivoire*, Dominican Republic, Ecuador, Ghana, Indonesia, Mexico, Nigeria, Peru, and Uganda; hence the "beguiling coincidence". The magnitude of the empirical results found here amplify the necessity for policymakers in the top cocoa-exporting countries to consider this new bank lending channel as an important source of lending frictions when assessing and designing macro-prudential polices aimed to mitigate banking crises in their respective countries.

- *Macroeconomics: financial economics research (upcoming research)*
  1. I am currently developing an applied financial statistics book using multiple open source software (for example, Python and R), which incorporates all the key financial and macroeconomic models covered in classes such as intermediate macroeconomics, international finance, corporate finance, and monetary economics. For instance, this book provides guidelines on how to estimate the CAPM model, etc. The book is expected to be completed by September 1st, 2024).
  2. I am currently working on a research and applying for grants to conclude my studies on the role of central bank liquidity swap lines in explaining financial stability in the United States.
  3. I plan to do more research on linkages between the financial sector, aggregate demand, and trade, by relying on dynamic stochastic general equilibrium models.