Inflation expectations raised Interest rates lowered Portfolios rebalanced Firms and Households

Lower borrowing costs

Reduced leverage Banking System
Lending rekindled Increasing Improving private risk appetite balance sheets Stretched asset Greater economic risk taking Greater Greater valuations « financial risk taking investment Rising credit and liquidity risks Stronger consumption Life insurers under pressure Higher growth Currency Greater flows to Higher and potential

inflation

emerging markets

Figure 1.5. Quantitative Easing Impact Channels

Source: IMF staff.

volatility