

An **investment-grade (IG)** rating by a rating agency such as Standard & Poor's indicates that a bond has a relatively low risk of default.

Lender of last resort refers to a central bank, which offers loans to banks or other eligible institutions that are experiencing financial difficulty or are considered highly risky or near collapse.

Liquidity trap describes a situation where conventional monetary policy has lost its potency.

Lost decade refers to Japan's dismal economic performance in the 1990s after the burst of the country's real-estate and equity asset price bubbles.

Monetary policy focuses on controlling the supply of money with the ultimate goal of price stability, reducing unemployment, boosting growth etc. (depending on the central bank's mandate).

A **mortgage** is a debt instrument, secured by the collateral of specified real-estate property, that the borrower is obliged to pay back with a predetermined set of payments.

A **negative interest-rate policy (NIRP)** is an unconventional monetary policy tool whereby nominal target interest rates are set below zero.

Potential growth of gross domestic product (GDP) is defined as the rate of output growth that an economy can produce at a constant inflation rate. Although an economy can temporarily produce more than its potential level of output, that comes at the cost of rising inflation.

Quantitative and qualitative easing (QQE) aims at increasing the monetary base by both buying a wide range of assets as well as extending the maturities held by the central bank.

Quantitative easing (QE) is an unconventional monetary policy in which a central bank purchases securities in order to lower interest rates and increase the money supply to promote increased lending and liquidity.

The **real interest rate** is the nominal interest rate adjusted for inflation as measured by the GDP deflator.

The **risk premium** is the expected return on an investment minus the return that would be earned on a risk-free investment.

The **S&P 500 Index** includes 500 leading U.S. companies capturing approximately 80% coverage of available U.S. market capitalization.

The **spread** is the difference between the quoted rates of return on two different investments, usually of different credit quality.

The ECB's **targeted longer-term refinancing operations (TLTROs)**, announced in June 2014, are designed to enhance the functioning of the monetary-policy transmission mechanism by supporting bank lending to the real economy.

The **Term Asset-Backed Securities Loan Facility (TALF)** was a funding facility provided by the Fed from 2009 onwards and intended to boost lending to households and small businesses by supporting the issuance of asset-backed securities (ABS).

Treasuries are fixed-interest U.S. government debt securities with different maturities: Treasury bills (1 year maximum), Treasury notes (2 to 10 years), Treasury bonds (20 to 30 years), and Treasury Inflation Protected Securities (TIPS) (5, 10 and 30 years).

The **United States dollar (USD)** is the official currency of the United States and its overseas territories.

Volatility is the degree of variation of a trading-price series over time.

The **wealth effect** is the change in spending that accompanies a change in perceived wealth (also known as the wealth channel).

Yield is the income return on an investment referring to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

Yuan refers to the Chinese yuan (CNY).