

## THE AGE OF UNCERTAINTY

### THE ROMANIAN FINANCIAL SYSTEM IN THE GLOBAL ECONOMY PRE-TRUMP AND PRE-BREXIT

2016 was a year of disruptive events with unforeseen effects on the economy at large and on the financial system in particular. A high degree of volatility was induced by the UK referendum and by the November elections in the United States.

Statements made by the President-elect Donald Trump have raised questions regarding the future of Dodd-Frank, the evolution of the signed trade agreements (such as TPP) or in negotiation (such as TTIP), as well as the potential of stagflation and high unemployment in the US. The market effects were easily noticeable: the Mexican peso plunged overnight, the rate for the US bonds reached a record low and the Chairman of Fed announced that she will resign before January 20, 2017. The markets, however, have bounced in a post-election decrease in volatility. This provides both risks and opportunities, as there is a strong possibility in an upside movement until the end of the year.

The change in leadership at the White House has a global reach, of particular interest being the statements regarding the US-Chinese relation (see Trump declaration on currency manipulation from Beijing), as well as the volatility induced by the potential of Brexit. Although there is no consistent evidence that the political party of the president-elect has any influence on the stock market (Campbell and Li, 2004), the presumed actions of the Trump cabinet on economics and finance (tax cuts, trade restrictions and fiscal spending on infrastructure) seem to rally the investors for a switch from bonds to equities. Moreover, the premises exist for short term gain. In lack of clear policies from the President-elect, the risk of long-term negative effects is evermore noticeable.

In this context, the Aspen Institute Romania in collaboration with the Bucharest University of Economic Studies launch a specialist debate on the financial impact of this political volatility, the implications of a shift in financial policy in the United States on the global financial system, as well as the possible effects on the Romanian markets.

Did the markets foresee a Trump victory and thus, be safer from short-term volatility than in the case of Brexit? Is Dodd-Frank inadequate and therefore, in need of dismantling? Shall systemic risks be on the rise in this sequence of disruptive events? Will the US Bond market reach its Big Rotation (30 years-old rally in bonds)? What are the consequences for emerging markets and currency markets and how will Romania be affected, if any? Is there a real possibility of a stagflation (as suggested by Goldman specialists) or a long-term recession (as predicted by Krugman) and, if so, what measures may be enforced at national level to mitigate the effects?

- Date | 22 November 2016, 17:00-19:00
- Location | Virgil Madgearu Room, Bucharest University of Economic Studies (ASE - Cădereea Bastiliei - in front of Aula Magna)
- Format | Specialist Debate under the Chatham House Rule: "When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed."
- Participants | Anca Dragu-Paliu, Minister of Public Finance, Representatives from the National Bank of Romania, Aspen Institute Romania members, BUES-ASE academic community (specialists from the Faculty of Finance and the Faculty of International Business and Economics), key actors in the Romanian financial system, AIR YLP Fellows.