

<sup>&</sup>lt;sup>1</sup> E-mail: gert.peersman@ugent.be; http://fetew.ugent.be/Fineco/gert.html. The paper is written while the author was affiliated with the Bank of England. I thank Andrew Bailey, Fabio Canova, Freddy Heylen, Katharine Neiss, Gabriel Sterne, participants at the EEA annual conference in Venice, CEPR workshop in Madrid, Tinbergen conference in Rotterdam, ES summer meeting in Evanston, CEPR/ESI conference in Frankfurt and seminar participants at the Bank of England and European University Institute for comments on an earlier draft of the paper. In particular, I am very grateful to Fabio Canova for useful discussions and comments on the methodology.