

Macro transmission: how a Fed rate change travels through markets

Monetary policy reaches the economy through several channels, from short-term rates to credit and the dollar, and official frameworks do not include crypto.

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1. How to read it / Where it misleads

Macro transmission describes how a central bank's policy change, such as a move in the Federal Reserve's target for the federal funds rate, reaches market interest rates, asset prices, the dollar, credit, spending and finally inflation. It matters to crypto readers because rate decisions move the financial conditions that other risk assets trade in.

It is a framework, not a single number, and it has limits. The strength of transmission differs by country: the BIS finds that the relative importance of the interest rate channel varies across countries in central and eastern Europe (source 2). When rates were near zero, the Fed relied on forward guidance and large-scale asset purchases instead of rate cuts (source 1).

Crypto is not a channel in any of these official frameworks. The Fed and the BIS do not name bitcoin or other crypto assets, so any link from a Fed decision to crypto prices is an inference. Már Gudmundsson's paper in BIS Papers No 39 (2008) adds that, for a small open economy, economic theory predicts financial globalisation will gradually weaken the interest rate channel (source 3).

This explains how a framework is calculated. It is not a signal, forecast or recommendation, and past readings do not predict prices. Le Coin does not publish live readings of this framework.

2. The formula

There is no single formula. The Fed Board describes a chain (source 1):

Policy rate, guidance and balance sheet, then short-term rates, then the expected path of rates, then long-term rates, asset prices, the exchange rate and credit terms, then spending and investment, then output and inflation.

Le Coin uses a simple pass-through ratio to illustrate one link.

Pass-through = change in bank lending rates / change in the policy rate

The BIS links a stronger interest rate channel in the Czech Republic and Poland to an increase in pass-through of the central bank policy rate to bank deposit and lending rates (source 2).

3. Example data

The figures below are invented to show the arithmetic.

Case	Policy rate change	Lending rate change	Pass-through
Strong	+0.50 pt	+0.40 pt	0.8 (80%)
Weak	+0.50 pt	+0.05 pt	0.1 (10%)

In the first case, banks pass on most of the increase to borrowers. In the second, the policy move barely reaches them, which is what economists call weak transmission.

4. Who publishes it and how definitions differ

The Federal Reserve Board says monetary policy works by encouraging or restraining overall demand. Its main tool is the target for the federal funds rate, which it steers using the interest it pays on banks' reserve balances (source 1). It describes effects through short-term rates, expectations of future rates and so

longer-term yields, asset prices including stocks, balance sheets and credit, which it calls the credit channel, and the exchange rate (source 1).

The BIS, the bank for central banks, says in a 2008 paper that the literature generally highlights five channels: short-term interest rates, long-term rates and asset prices, the exchange rate, credit, and expectations (source 2). The paper also examines whether the relative importance of the channels has changed over the previous decade.

In Le Coin's view, the two lists describe the same chain cut at different joints. The Fed tells the story from the funds rate outward, while the BIS counts expectations as one of five named channels. Readers should check which list a commentator is using before comparing claims.

5. Where the framework comes from

No single originator can be credited. The BIS cites Mishkin (1995) for the standard list of channels (source 2). The Fed Board page cites Bernanke (2007) for the credit channel (source 1).

6. What it means

In Le Coin's view, a Fed decision most plausibly reaches bitcoin through the asset price and expectations channels, since crypto trades alongside other risk assets that respond to rates. That link is Le Coin's analysis, not part of any central bank framework, and it should be weighed against crypto's own drivers.

Sources

- 1 Federal Reserve Board, Monetary Policy: What Are Its Goals? How Does It Work?, <https://www.federalreserve.gov/monetarypolicy/monetary-policy-what-are-its-goals-how-does-it-work.htm>, accessed 2026-10-16, 10:54 p.m. ET.
- 2 BIS Papers No 35, Transmission mechanisms for monetary policy in emerging market economies, 2008, <https://www.bis.org/publications/paper-35-transmission-mechanisms-monetary-policy-emerging-market-economies.pdf>, accessed 2026-10-16, 10:54 p.m. ET.
- 3 Már Gudmundsson, Financial globalisation: key trends and implications for the transmission mechanism of monetary policy, in BIS Papers No 39, Financial market developments and their implications for monetary policy (2008), <https://www.bis.org/events/20070813/financial-market-developments-and-their-implications-monetary-policy/bispap39c.pdf>, accessed 2026-10-16, 10:54 p.m. ET.

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