

Summary of: Measuring the effects of federal reserve forward guidance and asset purchases on financial markets R

Effects of Unconventional Monetary Policies on Financial Markets

The study investigates the effects of unconventional monetary policies, particularly "forward guidance" and "large-scale asset purchases" (LSAPs) by the U.S. Federal Reserve, on financial markets. The paper proposes a new method to identify and estimate the effects of these policies. The analysis extends the methods of prior research, focusing on separately identifying surprise changes in the federal funds rate, forward guidance, and LSAPs for each FOMC announcement from July 1991 to June 2019. The study finds significant and persistent effects of forward guidance and LSAPs on Treasury yields, corporate bond yields, stock prices, and exchange rates, comparable in magnitude to the effects of the federal funds rate. The paper also discusses notable FOMC announcements and their impact on financial markets, providing evidence for the effectiveness and persistence of unconventional monetary policies. The findings are consistent across different sample periods, supporting the robustness of the identified factors and their implications on various asset prices.

Evaluation of Unconventional Monetary Policies during the Zero Lower Bound Period

The research paper evaluates the effects of unconventional monetary policies, specifically "forward guidance" and "large-scale asset purchases" (LSAPs) by the U.S. Federal Reserve, on financial markets and the economy during the zero lower bound (ZLB) period. The study proposes a novel method to identify and estimate the effects of these policies and discusses their persistence. It compares the effectiveness of these policies relative to conventional monetary policy instruments and evaluates the implications for U.S. monetary policy. The study differentiates between the effects of forward guidance and LSAPs and investigates their impact on various asset prices, including Treasuries, corporate bonds, stocks, and foreign exchange. Furthermore, it explores the persistence of these effects and compares its findings with previous studies on unconventional monetary policies. The results indicate that both forward guidance and LSAPs are effective policies for changing interest rates, with effects comparable to conventional monetary policy. The paper also discusses the persistence of the effects and suggests future avenues for research.