

Responses of Stocks and Exchange rates to Monetary Policy Shocks under Zero Lower Bound in Japan

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Abstract

This paper evaluates the effects of nontraditional monetary policies conducted by Bank of Japan on exchange rates as well as stock indices. A non-standard monetary policy shock during the zero-interest-rate-policy period from 2001 to 2006 and 2009 to 2012 is identified by using the price data on three-month Euroyen futures listed on Tokyo Financial Exchange, and the returns of exchange rates and stock indices are calculated by the high-frequency data. We find that while unconventional monetary policies from 2001 to 2006 have the weak effects on exchange rates and stock indices, the policies after 2009 have no effects on the returns of exchange rates and stocks.

JEL Classification: E44; E52; E58; F31

Keywords: monetary policy shock; commitment policy; high-frequency data; unconventional monetary policy; zero lower bound

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