

Heterogeneous Impact of Abenomics on Stock Market: Fund Flow Analysis*

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Abstract

This paper re-examines the heterogeneous impact of Abenomics in the stock market using the quantity demanded of Japanese stocks rather than price data. While ? identifies the change in foreign investors' expectations by *price* changes of financial markets, we focus on the change in *quantity* demanded of Japanese stocks. There are three findings. First, we find that only foreign investors are aggressive in purchasing Japanese stocks in response to Abenomics. Second, the flow into Japanese stocks from foreign investors is induced by the news shocks from the early announcement about the launch of Abenomics and enhancement of monetary easing in late 2012. At the same time, we find the mixed evidences about Quantitative and Qualitative Monetary Easing (QQE), which is newly introduced by the Bank of Japan on 4 April 2013 that a sequence of QQE may not have the persistent impacts on the Japanese stock market. Third, it is found that two years later from the onset of Abenomics, the change in the flow into the Japanese stock market may reflect external factors from the United States rather than domestic factors. It is suggested that the most part of the accumulative rise in Japanese stocks after November 2014 can be explained by news shocks from the United States rather than Abenomics.

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