

# Noise as a liquidity measure in the Japanese market: Evidence from Quantitative and Qualitative Easing by the Bank of Japan

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## Abstract

This paper analyzes the liquidity condition of the fixed-income market in Japan, based on Hu, Pan and Wang (2013). We empirically evaluate the illiquidity condition after the Bank of Japan (BOJ) implemented Quantitative and Qualitative Easing. Our result indicates that the liquidity premium has increased with time since the BOJ announced its new monetary policy, although the liquidity premium has continued to decrease over a longer period of time. We also show that the Security Lending Facility of the BOJ has partially improved the liquidity condition. The noise measure is provided publicly for future applications.

*JEL* codes: E43, G18, G28, H12

Keywords: Liquidity, Quantitative and Qualitative Easing, Bank of Japan, Security Lending Facility

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