



The Impact of ECB Monetary Policy on Stock and Bond Market Liquidity. The Case of Germany

By Terence Kappeln

GRIN Verlag Jan 2016, 2016. Taschenbuch. Book Condition: Neu. 210x148x3 mm. Neuware - Bachelor Thesis from the year 2015 in the subject Economics - Finance, grade: 1,0, Vienna University of Economics and Business (Finance and Accounting), language: English, abstract: During the financial crisis and the following Eurozone crisis, liquidity in financial markets basically froze and became a problem for the real economy. Therefore, market liquidity became one of the major concerns of the ECB, which applied non-standard measures, e.g. irregular asset purchasing programmes. This paper sheds light on the impact of monetary policy on liquidity levels of the DAX 30 equity index and German 10-year government bonds. For the following analysis, the monetary policy impacts are estimated using the base money growth rate and EONIA rate, whereas the relative bid-ask spread is employed for measuring liquidity levels. The research method includes literature-based research about common market liquidity theories, a short timeline of important ECB monetary policy decisions, descriptive statistics on liquidity levels and monetary policy variables and a VAR analysis, including variables spreads, returns, volatilities, industrial production and inflation. The results indicate that a decrease (increase) in stock market liquidity or an increase (decrease) in bondmarket volatility lead to a...



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