Published project

Stock market effects of ECB's Asset Purchase Programmes: Firm-level evidence

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Stock market effects of ECB's Asset Purchase Programmes:

Firm-level evidence

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How do stock prices react to ECB's Asset Purchase Programmes? Using an event-study approach, we find substantial cross-sectional variation in a sample of 2,625 non-financial firms in the Euro-zone. Announcement returns are positively correlated with leverage and negatively with size, consistent with a credit channel. Furthermore, announcement returns are negatively correlated with the market-to-book ratio, suggesting different exposures of value and growth stocks. These patterns are more pronounced once we only examine programme initiation announcements.

JEL-Classification: E52, E58, G14

Keywords: ECB, Monetary Policy, Quantitative Easing, Stock Market, Event Study

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Declarations of interest: none (applies to both authors).

Research question:

Do firms benefit from a "Quantitative Easing" stimulus, and if so, which firms?

Research approach:

We proceed in two steps: First, we apply an event-study approach to determine the response of non-financial European firms' stock prices to ECB's Asset Purchase Programmes. Second, we rely on regression analyses to examine the cross-sectional heterogeneity in these responses. Following Hosono & Isobe (2014) and others, we use asset prices to identify the (un-)expectedness of such ECB policy.

Main findings:

- Announcement returns are positively correlated with leverage and negatively with size, consistent with a credit channel.
- Announcement returns are negatively correlated with the market-to-book ratio, suggesting different exposures of value versus growth stocks.

Contribution:

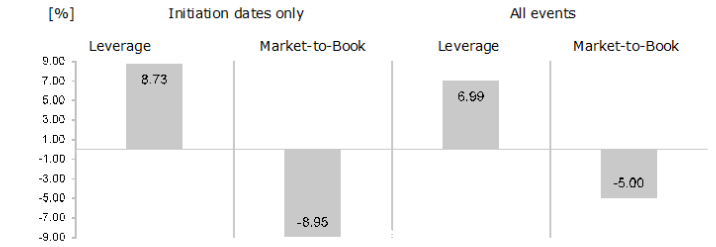
- This paper is the first to document cross-sectional heterogeneity in the impact of ECB's "Quantitative Easing" stimulus on firms.
- Focusing on programme initiation announcements, we find CAR-differences amounting to almost 9 percentage points between the 10th and the 90th percentile firm.

Sample:

- Screening all ECB's press releases from 01/2009 to 06/2016 regarding references to APP programmes (SMP,CSPP,PSPP, ABSPP, CBPP1,CBPP2, and CBPP3), we identify 14 events (6 events are programme initiation announcements)
- We examine the impact on all listed non-financial firms (SIC≠6000-6999) headquartered in one of the EA-12 countries.

Main results:

Economic effects of ECB's Asset Purchase Programmes (CAR[-1;+1])



Calculation: Coefficient$_{\text{Variable}}$ x Sum of Δσ x 10th-90th Percentile$_{\text{Variable}}$

Further information:

Working paper (forthcoming in: Economics Letters)

Working paper is available via SSRN: ssrn.com/abstract=3153992

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