Abstract

I examine the impact of macroprudential policy announcements on financial markets in Europe from 2001 to 2023, analyzing data on government bond yields, stock prices, and market volatility across several European countries and the UK. Constructing a unique dataset from the FACTIVA database, I assess the immediate and delayed effects of these announcements during various crisis periods, offering insights into the varying responses of financial markets to policy communications. I uncover that macroprudential policy announcements significantly increase changes in 10-year Government bond yields starting two days after their release and affect changes in stock prices only by the fifth day, without influencing market volatility. Tightening measures raise changes in bond yields on the second and fourth days, while loosening measures begin affecting changes in yields from the third day, yet neither impacts stock prices or market volatility. Additionally, I found macroeconomic conditions like Euribor rates, exchange rates, and S&P 500 movements significantly influence market dynamics. Changes in Euribor positively affect changes in bond yields during short-term event windows following an announcement, whereas increases in the S&P 500 changes correlate with reduced market volatility and an increase in stock price changes. Similarly, I observe an immediate and delayed positive effect of changes in the exchange rate on changes in stock prices.

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Keywords	macroprudential announcements, bond yields, stock prices, volatility
Title	The Impact of Macroprudential Policy Announcements on Financial Markets