Abstract

With the U.S. capital market's rapid development and continuous improvement, the stock market has become an important financing channel. More and more people tend to participate in the stock investments. The proportion of stocks in the structure of residents' assets continues to increase, and the relationship between the stock price and the actual economic activities becomes increasingly closer.

The thesis first summarizes and compares the theories and opinions of relevant studies on the impact of monetary policy on the stock market. Then, the author empirically investigates the impact of monetary policy on the stock market using data from January 2013 to March 2024, divides the test interval into two periods, and adopts the vector autoregressive model to test the impact of money supply and interest rate on the stock market. Finally, the author analyzes and interprets the results of the empirical tests by combining the actual situation of the stock market and monetary policy, and finds out that for the data from March 2023 to March 2024, the interest rate is helpful to explain the changes in stock prices. Nonetheless, only considering the money supply or interest rate cannot explain the changes in stock prices. At the same time, the government is advised to further strengthen its regulatory efforts to enhance markets and financial stability.

Keywords	Monetary policy, interest rate, stock market, VAR model
Title	Impact of Monetary Policy on the U.S. Stock Market