

JSBF VIRTUAL

ACADEMIC SEMINAR

on

THE VOLATILITY SPILLOVERS OF U.S. QUANTITATIVE EASING – EVIDENCE FROM AUSTRALIA



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SPEAKER

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Hamid is Director of Financial Modelling at Macroeconomics, a passionate Financial Economist, and an aspiring Academic. He has previously worked at Spectrum Asset Management as a Credit Research Analyst and the Reserve Bank of Australia as a Senior Analyst in the International Financial Markets team. Hamid's research explores the intersection between the macroeconomy and financial markets. He is particularly interested in understanding the implications of central bank policy on asset prices and has written extensively on the effects of large-scale stimulus. He holds a Bachelor of Applied Finance and a Master of Research in Applied Finance both from Macquarie University. Hamid is a PhD candidate, Specialised Lecturer, & Senior Research Assistant in the Department of Applied Finance, Macquarie University.

ABSTRACT:

This paper investigates the cross-market volatility spillovers induced by U.S. Quantitative Easing (QE) programs. Specifically, this study examines the volatility that commences in U.S. financial markets and spreads to Australian equity and government bond markets. The study features the creation of an implied volatility index for the Australian government bond market that is considered alongside other implied volatility indices to create dynamic measures of cross-market spillovers. Data-driven Structural Vector Autoregressive (SVAR) models are then estimated to assess the impact of an unexpected QE shock on volatility transmission. The study finds evidence of an intensification of volatility spillovers that are explained by QE, primarily during the period of policy normalization. The QE-induced volatility transmission between the U.S. and Australian equity markets is found to be especially pronounced. Furthermore, the results show that contractionary QE shocks promote an increase in volatility spillovers, while expansionary shocks suppress them. This study is among the first to provide a comprehensive analysis of the cross-border effects of U.S. QE programs on Australian financial markets, contributing to a growing set of literature that examines the implications of unconventional monetary policies.



TUE, 4 MAY 2021



10:00 AM – 11:30 AM

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