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The Impact of Monetary Policy on BRIC Markets Asset Prices during Global Financial Crises

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Highlights

- External shocks across different economic sectors in BRIC area
- The predominance of positive reply to monetary interventions
- The most active response to contractionary policy
- Strong reaction to the Bank of Japan
- Evidence of active reply from Utilities and Basic Materials' sectors

Abstract

This paper investigates the influence of Central Authorities on emerging financial markets (BRIC area) by means of Monetary Policy. The sample period relates to financial crises. We suggest this work to be probably the first one dealing with external shocks across different economic sectors, and in Emerging Market economies. Hence, it enlarges the existing financial literature. On emphasizing contractionary and expansionary policies, we tried to get the most precise output, and aimed to investigate, whether there was some interdependence between stock price reaction and international trade flows. We found the predominance of positive reply and the most active response to contractionary policy. We found the largest amount of feedbacks to the Bank of Japan and the lowest **-** *to the Bank of England. On considering these findings, our analyses revealed the highest number of responses from Utilities and Basic Materials' sectors and detected the existence of some unexpected and controversial reactions from certain countries.*

Key words*:* *Stock Market reaction, Monetary Policy, Event Study, Emerging Markets, Financial crisis*