

Measuring the Short-Term Effects of the ECB's Unconventional Monetary Policy on Financial Markets: A Review

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Abstract

Following the financial crisis in 2008, the ECB implemented various unconventional policy measures to respond to the tensions on the market. These measures had a significant impact and short-term effects on financial markets. This literature review provides a extensive overview of the empirical literature dealing with the short-term effects of this unconventional monetary policy using event studies. Furthermore, a methodological analysis of conducted event studies is carried out. First, we review empirical event studies focusing on the effects on the bond market, the stock market, as well as on international spill-over effects. Secondly, we carry out a methodological analysis of event studies that estimate the announcement effects of the ECB's unconventional measures. In this context, the analysis provides insight into the process of determining relevant events, the categorization of those, measuring the surprise component, and determining control variables. By comparing the different approaches applied, we give a comprehensive overview of similarities as well as differences in the methodology used.

Keywords: Unconventional Monetary Policy, Event study, ECB

JEL Classification: E44, E50, E52

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