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The Effects of Monetary Policy Shocks on the Turkish Stock Prices / Para Politikası Şoklarının Türk Hisse Senetleri Piyasasına Etkisi

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ABSTRACT

In this study response of Turkish stock prices to exogenous monetary policy shocks is estimated by using vector error correction methodology (VECM). Estimations are realized for the period 2003-2015 with the quarterly frequency data. Effects of monetary policy are transmitted to stock prices via three different channels: Quantity of money (or interest rate), foreign exchange rate and inflation. Estimation results show that expansionary monetary policy creates a persistent increase in stock prices. While foreign exchange rate shocks contribute a considerable amount of variation to stock prices, the effect of GDP shocks remains limited. This result indicates us that stock prices show an endogenous response to monetary policy shocks.

KEYWORDS Monetary Policy; Stock Prices; VECM Model

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