

THE EFFECT OF YIELD SPREADS ON INCREASE IN THE TARGET CURRENT ACCOUNT BALANCE

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〈SUMMARY〉 □

In this paper, we investigate the effect of the Bank of Japan's quantitative monetary easing policy on yield spreads in short-, medium-, and long-term financial markets. Using an exponential generalized autoregressive conditional heteroskedasticity model, we present an empirical analysis of the level and volatility of yield spreads. We find that the expansion of the current account balances target lowers the volatility of yield spreads. This empirical result is supported with two analysis periods, from the termination of the zero interest rate policy to the termination of the quantitative monetary easing policy and from the introduction of the quantitative monetary easing policy to the termination of this policy. Therefore, we conclude that this result is robustness.

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