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ASSET PRICES AND CORPORATE RESPONSES TO BANK OF JAPAN ETF PURCHASES

by

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National University of Singapore

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13:00 – 15:00

Room 812



Abstract / Synopsis

Since 2010, the Bank of Japan (BOJ) has purchased stocks to boost domestic firms' valuations to increase GDP growth. The stock return elasticity with respect to BOJ purchases relative to the previous month's market cap is around 2 and increases across longer horizons. Over one quarter, BOJ share purchases worth 1% of assets correspond to an increase of 1% in share valuation and a 0.27% increase in assets. Consistent with elevated valuations letting firms "cash out," BOJ share purchases predict equity issuances and fewer stock buybacks. However, less than 9% of increased assets reflect net tangible capital investments, whereas cash and short-term investments account for over 50%. This unconventional monetary stimulus thus boosts share prices but is largely not transmitted into real investment growth.

About the Speaker

Ben Charoenwong is an Assistant Professor in Finance at the National University of Singapore Business School. His research includes studying the interaction of supply chain and financial leverage decisions, pricing the voting component of common stock, and the regulation of investment advisers. His research and teaching areas include international financial management, machine learning and artificial intelligence with financial applications, financial regulation, empirical asset pricing, networks, corporate finance, and agency conflicts. His recent work, *Does higher-frequency data always help to predict longer-horizon volatility?* has been published in *Journal of Risk*. He has been a research-paper referee for *American Economic Review*, *Management Science*, and *Journal of Political Economy*. Ben completed his PhD in Finance at the University of Chicago Booth School of Business. Before that, he graduated from the University of Michigan – Ann Arbor in 2012 with a Bachelor of Science in Honors Economics, Honors Statistics, and Financial Mathematics with Highest Distinction.

Registration

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