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Abstract

This paper studies the effects of U.S. government quantitative easing programs on equities with differing equity durations. I use multiple linear regression to uncover the relationship between equity duration and quantitative easing. The findings indicate that firms with higher equity duration experience greater returns when Fed bond holdings increase and when the Fed announced the first quantitative easing program in 2008. I also find that high durations stocks outperform low duration stocks when interest rates fall. However, the analysis indicates that high duration stocks underperform in tapering periods. Robustness checks confirm these results and the economic significance of the findings.

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