

Independent study title	HOW MONETARY POLICY ANNOUNCEMENTS FROM DOMESTIC AND FOREIGN POLICY MAKERS AFFECT THE STOCK MARKET IN THAILAND?
Author	Sirithat Prasertwuti
Degree	Master of Science (Finance)
Major field/Faculty/University	Master of Science Program in Finance (International Program) Faculty of Commerce and Accountancy Thammasat University
Independent study advisor	Assistant Professor Wasin Siwasarit, Ph.D.
Academic year	2022

## **ABSTARCT**

In this study, we analyze the influence of monetary policy announcements from the Bank of Thailand (BOT) and the Federal Reserve (FED) on the abnormal returns of SET50, utilizing a dataset spanning from January 1, 2015, to March 17, 2023. We find that both BOT and FED announcements have significant impact on abnormal returns during the event window periods. To gain further insights, we categorize the direction of monetary policy into four types: all monetary policy, tightening monetary policy, expansionary monetary policy, and unchanged monetary policy. Moreover, we employ an analysis of unbalanced panel data, considering macroeconomic conditions and firm characteristics, and incorporate fixed effects to account for structural changes over time within the sample.

Our findings indicate that the BOT's expected interest rate exhibits a positive and statistically significant relationship with abnormal returns, while the FED's announcements exhibit a negative and statistically significant relationship. Interestingly, unexpected interest rates from BOT and FED have no impact on abnormal return. We also explore macroeconomics condition, which is the exchange rate USDTHB, the impact of exchange rate has a significant negative relationship on abnormal return. This finding implies that the appreciation of the Thai Baht (THB) against the U.S. Dollar (USD) in Thailand leads to positive abnormal returns. Additionally, we

observe that firm characteristics, such as size, leverage ratio, performance, price to earnings ratio, and price to book value, can explain abnormal returns when utilizing fixed effects in the models.

Furthermore, we identify an asymmetric market reaction to FED announcements based on the direction of monetary policy, though insufficient data exists for the BOT to explain this asymmetry adequately. Lastly, we conduct separate analyses for the periods before and after the Covid-19 happened outbreak to assess the strength of these relationships under different economic conditions.

Keywords: Conventional monetary policy, Expansionary monetary policy, Tightening monetary policy, Inflation, Interest rate, Expected interest rate, Unexpected interest rates, Abnormal returns