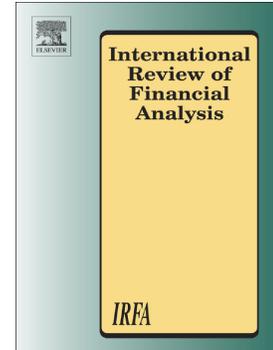


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# THE EFFECT OF QUANTITATIVE EASING ON THE VARIANCE AND COVARIANCE OF THE UK AND US EQUITY MARKETS

by

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## ABSTRACT

We examine the impact on the variance-covariance structure of UK and US equity markets of the Quantitative Easing (QE) operations implemented by the Bank of England (BoE) and the Federal Reserve (Fed). While the theory of portfolio balance suggests that QE operations could affect markets other than those in which the operations occur, prior analysis of these other markets is scarce. We find that while QE operations in general reduced equity volatility, day to day operations generated spikes in volatility in UK equities. We also find that BoE operations increased the covariance between the UK and US equity markets.

Keywords: Quantitative Easing; Equity market; variance; co-variance; UK; US

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