Statement of Originality

The thesis contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. I give consent to the final version of my thesis being made available worldwide when deposited in the University’s Digital Repository, subject to the provisions of the Copyright Act 1968.

Bronwyn Glynys McCredie
Statement of Authorship

I hereby certify that the work embodied in this thesis contains a published paper of which I am a joint author. I have included as part of the thesis a written statement, endorsed by my supervisors, attesting to my contribution to the joint publication.

____________________
Bronwyn Glynys McCredie
Endorsement by Co-Authors

We, Steve Easton, Paul Docherty and Katherine Uylangco attest that research higher degree candidate Bronwyn McCredie was the principal contributor to the conception, design, writing and revision of the paper/publication:


________________________________________
Steve Easton

________________________________________
Paul Docherty

________________________________________
Katherine Uylangco

________________________________________
Assistant Dean Research Training
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Abstract
Monetary policy is a key tool for regulating the economies of most developed countries and as such, its impact on financial markets and the channels by which this occurs is of great import to policy makers and financial market participants alike. Consequently, in an attempt to provide insight into this process, this thesis examines the impact of monetary policy, communicated by central bank actions and statements, on Australian financial markets. Foremost, this thesis is the first study to provide evidence of the channels of monetary policy triggered by central bank statements. Secondly, this thesis is the first to statistically examine the differential impact of central bank actions and statements and thirdly, this thesis is the first study to examine all three channels of monetary policy (interest rate, foreign exchange and credit channels) in a given economy across the same time period.

Taken together, the studies in this thesis conclude that all three channels of monetary policy play a role in the dissemination of monetary policy into Australian financial markets. Specifically, this thesis finds strong evidence for the exchange rate channel in the foreign exchange market and equity market; the interest rate channel in the interest rate futures market and equity market; and the bank loan channel in the equity market. Evidence pertaining to the balance sheet channel of monetary policy is reported, but is substantially weaker than the aforementioned channels.

Likewise, the results reported in response to central bank statements, proxied by the explanatory minutes’ release, are weaker than those results obtained for the monetary
policy announcement. This can be explained by Shannon’s (1948) information theory, which proposes that information is the resolution of uncertainty. As the amount of information is also responsible for the size of the market response, this intuitively suggests that monetary policy announcements, which provide objective information, resolve more uncertainty than explanatory minutes’ releases, which provide more subjective information, providing support for the adage ‘actions speak louder than words’ (Davis, 1736).