The Impact of Monetary and Fiscal Policies on the Stock Market in the United States (U.S); Evidence from Linear ARDL Framework

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ABSTRACT

This study examines the impact of monetary and fiscal policies on the stock market in the United States (US), were used. By employing the method of Autoregressive Distributed Lags (ARDL) developed by Pesaran et al. (2001). Annual data from the Federal Reserve, World Bank, and International Monetary Fund, from 1986 to 2017 pertaining to the American economy, the results show that both policies play a significant role in the stock market. We find a significant positive effect of real Gross Domestic Product and the interest rate on the US stock market in the long run and significant negative relationship effect of Consumer Price Index (CPI) and broad money on the US stock market both in the short run and long run. On the other hand, this study only could support the significant positive impact of tax revenue and significant negative impact of real effective exchange rate on the US stock market in the short run while in the long run are insignificant.

Keywords: ARDL, monetary policy, fiscal policy, stock market, United States