Abstract

This paper examines whether the relationships between policy-related central bank assets and financial-market outcomes differ systematically across institutional policy paths. Using monthly data for the United States, the euro area, the United Kingdom, Japan, China, and India from 2008 to 2024, the analysis adopts an ex ante institutional classification that distinguishes three policy paths: credit easing and financial conditions management, quantity-based quantitative easing and sustained reserve provision, and targeted credit and domestic financing support. Rather than treating balance-sheet expansion as a single policy measure, the paper separates two dimensions of policy-related assets: their cumulative scale of expansion and their share in total central bank assets. The empirical analysis focuses on ten-year government bond yields and short-term money-market funding spreads, with banking-sector stock returns used as supplementary evidence.

The baseline fixed-effects estimates reveal substantial cross-path heterogeneity, with the clearest differences appearing in the relationship between policy-related assets and long-term government bond yields. In particular, the targeted-credit and domestic-financing path exhibits markedly different conditional slopes from the credit-easing path in both the asset-scale and asset-structure specifications. Funding-spread results are more sensitive to specification and measurement: heterogeneity is more evident for asset scale than for asset structure, while short-run first-difference relationships differ from the corresponding level relationships. Lagged specifications broadly preserve the main long-run patterns, whereas first-difference estimates either weaken or rearrange several cross-path differences. Additional checks using wild cluster bootstrap inference, common estimation samples, alternative time controls, tail trimming, and within-country standardized funding spreads confirm that the strength of the evidence varies across outcomes and specifications.

The results therefore do not support a single cross-country coefficient linking central bank balance-sheet expansion to financial-market outcomes. Instead, they suggest that the financial-market meaning of policy-related asset changes depends on both the scale and composition of central bank assets and the institutional policy environment in which those changes occur. The estimates are interpreted as conditional relationships rather than structural causal effects.

Keywords: Central bank balance sheets; Quantitative easing; Policy-related assets; Asset structure; Institutional policy paths; Financial-market heterogeneity