

An Analysis Of The Relation Between Monetary Policy And Stock Market In China In The Period Of 1996-2005

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ABSTRACT

The research estimates the interdependence between China monetary policy and the Shanghai and Shenzhen Stock indices by using descriptive statistical analysis and linear regression analysis. The research focuses on estimating the relation between the change of base saving and borrowing interest rate and the fluctuation of stock indices. Moreover, the research also analyses the growth of money supply related to the growth of turnover of trading of China stock market and the trading volume of stock exchange. It shows that the relationship of monetary policy and stock market is weak because of unperfected monetary policy transmission mechanism and the stock market.