

# Bank of Japan's ETF Purchase Program and Equity Risk Premium: A CAPM Interpretation

Mitsuru Katagiri, Hosei University

Junnosuke Shino, Waseda University

Koji Takahashi, Bank for International Settlements

## Abstract

In this paper, we investigate the effects of the Bank of Japan's (BOJ) exchange traded fund (ETF) purchase program on equity risk premiums. We construct panel data for the amount of the BOJ's purchases of individual stocks and show that there are significant cross-sectional variations due to their different weights in ETFs. By utilizing the cross-sectional variations, as well as the time-series policy changes for the share of purchases across ETFs, we find that the BOJ's ETF purchase program has decreased market beta of Japanese stocks, thus leading to an economically significant decline in risk premiums.