



The Impact of Macroeconomic Announcements on  
the Australian Fixed Income Market

Nixon Mak

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## THESIS DECLARATION

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Nixon Mak

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## **Abstract**

New information has an important role in asset price movement. This paper investigates the role of scheduled domestic news releases on the Australian government bond market. Specifically, it examines the impact of pre-announced macroeconomic news release on bond futures markets and associated market volatility. Furthermore, an EGARCH-in-mean model is used to determine the asymmetric response of the conditional volatility to either news release or unexpected changes of some news content. The results indicate that excess return of bond futures in the research period was leptokurtic (fat-tailed) with time-varying conditional heteroscedasticity. Day of the week volatility was also present but with a declining pace. It's generally attributed to the release dates of announcements and information flow from offshore markets. Although announcement effects to the bond futures market were significant, they depended on the type of maturity. Finally, results from EGARCH indicate that fundamental lagging indicators such as CPI and GDP are always important in explaining the impact of news release on market volatility, whereas the unemployment rate has a reasonable role in announcement surprises. The data suggest the following conclusion: investors are seriously concerned with news releases on macroeconomic variables they can feasibly forecast because they are always fundamental and provide a partial indication of the future economy. Surprises from news content are also critical to investors because some important variables can only be forecasted with limited accuracy. Therefore, deviation from anticipated outcomes in the actual content also causes significant market movement.

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