ABSTRACT

This study examines the transmission of U.S. monetary policy shocks to ASEAN-5 financial markets using a Panel Local Projections (LP) approach that incorporates linear effects, asymmetries, and global risk (VIX) moderation. The results show that U.S. monetary policy shocks have significant, dynamic, and heterogeneous effects on both exchange rates and stock returns across ASEAN-5 economies. Under the symmetric spillover model, U.S. monetary tightening leads to rapid currency depreciation in most countries, while Indonesia and Thailand exhibit more gradual adjustments. In equity markets, stock returns initially respond positively in the short run but reverse into negative territory in the medium to long run, indicating a delayed adverse effect. When global uncertainty is introduced through VIX, the transmission of shocks is amplified via a financial amplification channel, increasing exchange rate pressure and stock market volatility, although with notable cross-country heterogeneity.

In the asymmetric spillover framework, ASEAN-5 financial markets exhibit clear non-linear responses to the direction of U.S. monetary policy. Tightening shocks (MP Positive) consistently weaken exchange rates and reduce stock returns, while easing shocks (MP Negative) generate more heterogeneous responses across countries. When interacted with VIX, asymmetries become more pronounced, as global uncertainty tends to intensify stock market pressures and sustain currency depreciation in several economies, whereas easing shocks do not always provide a strong offsetting effect. Overall, the findings suggest that U.S. monetary policy transmission to ASEAN-5 is dynamic, asymmetric, and strongly conditioned by global risk, with substantial variation across countries.

Keywords*: U.S. Monetary policy; ASEAN-5; panel local projections; Asymmetric Spillover; Global Uncertainty*.