ABSTRACT

Monetary policy is defined as the approach taken by monetary authorities in managing the money supply to stimulate economic activity in order to achieve economic stability (Warjiyo and Juhro, 2017). On the other hand, in 2008 the Global Financial Crisis caused a shock that put pressure on the global economy. As an effort to reduce the economic turmoil, this research aims to highlight the impact of Quantitative Easing (QE) policy implemented by the Fed to analyzing the spillover effect on Asian Emerging Economies. Specifically, this study will use Panel Vector Error Correction Model (P-VECM) to identify the effect and examine the relationship between Foreign Direct Investment (FDI), Real Effective Exchange Rate (REER), Foreign Exchange Reserves (FER), and Composite Stock Price Index (CSPI) in Asian Emerging Economies towards the implementation of QE in the United States in the 1st quarter of 2008 to the 4th quarter of 2019. The result of this research indicate that the implementation of QE has a permanent influence on the FDI and REER variables, while the impact on the FER and IHSG variables is temporary. Furthermore, a significant relationship was found between the QE variable and investment variables in both of the long and short term.

Keywords: *quantitative easing, spillover effect, international fisher effect, panel vector error corection model.*