Editor Decision Letter

Journal: Journal of Financial Economics **Manuscript ID:** JFE-2024-1847 **Title:** NarrativeBreak: Integrating Structural Break Detection with Multi-Source NLP Signals for Dynamic Portfolio Optimization **Authors:** Joerg Osterrieder **Decision Date:** Day 45 (Simulated) **Decision:** Major Revision

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Dear Prof. Osterrieder,

Thank you for submitting your manuscript "NarrativeBreak: Integrating Structural Break Detection with Multi-Source NLP Signals for Dynamic Portfolio Optimization" to the Journal of Financial Economics.

I have now received reports from three expert reviewers. Based on their evaluations and my own reading of the manuscript, I am pleased to inform you that your paper is potentially suitable for publication in our journal, pending **major revisions**.

The reviewers find the core contribution—integrating narrative regime detection with portfolio optimization—to be novel and timely. However, they raise several important concerns that must be addressed before the paper can be accepted:

Key Issues Requiring Attention

1. **Synthetic Data Limitations (R1, R2, R3):** All three reviewers express concern about the exclusive reliance on synthetic data. While the reproducibility benefits are acknowledged, the lack of any real-data validation limits the paper's contribution. Consider supplementing with public data sources or providing stronger calibration evidence.

2. **Lead Time Mechanism (R1):** The claimed 5.7-day lead time advantage is central to the paper's contribution, but the mechanism by which sentiment leads prices needs deeper theoretical grounding.

3. **Statistical Significance (R2):** The Ledoit-Wolf p-value of 0.034 is marginally significant. Additional robustness tests are needed, particularly across different market regimes.

4. **Practical Implementation (R3):** More discussion of real-world implementation challenges, including latency, data costs, and computational requirements, would strengthen the practical relevance.

5. **Ablation Interpretation (R1, R2):** The counterintuitive finding that removing multi-source integration improves performance (delta = +0.17) requires explanation.

Timeline

Please submit your revised manuscript within **90 days**. Your revision should include: - A detailed point-by-point response to all reviewer comments - A tracked-changes version of the manuscript - A clean version of the revised manuscript

I look forward to receiving your revision.

Sincerely,

Prof. [Simulated Editor] Associate Editor Journal of Financial Economics

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Note: This is a simulated review for demonstration purposes.