

# Summary of *Macroeconomic Attention and Announcement Risk Premia*

*Adlai Fisher, Charles Martineau, Jinfei Sheng (RFS, 2022)*

Summarized by Li Ziming

## 1. What are the research questions?

- How macroeconomic attention responds to the related announcements and change in related fundamentals?
- Can pre-announcement attention predict the announcement risk premium and change in VIX?

## 2. Why are the research questions interesting?

- Endogenous attention increases with economic uncertainty and risk aversion, which are also primary determinants of macroeconomic announcement premiums.
- The link between theories of endogenous attention and macroeconomic announcement premiums has not been researched.

## 3. What is the paper's contribution?

- Contribute to literature that studies macroeconomic announcements.
  - Propose a new tool for specific macroeconomic fundamentals.
  - Show that preannouncement attention predicts announcement risk premiums and changes in VIX.
- Contribute to theories of endogenous attention and announcement risk premiums.
  - Prior literature: Risk premiums related to the contents (Andersen et al., 2003) and the dates (Savor and Wilson, 2013).
  - Extend: Document the third informative characteristic, attention; support the elements of existing theories.

## 4. What hypotheses are tested in the paper?

- H1: Macroeconomic announcements and changes in macroeconomic fundamentals are drives of MAI variations.
- H2: Preannouncement attention predict the announcement risk premium and change in VIX.

### a) Do these hypotheses follow from and answer the research questions?

- Yes.

### b) Do these hypotheses follow from theory? Explain logic of the hypotheses.

- The causes of increase in endogenous attention are the primary determinants of macroeconomic announcement premiums.

## 5. Sample: comment on the appropriateness of the sample selection procedures.

- Print editions of the articles is delayed, unable to respond to information in time.

## 6. Comment on the appropriateness of variable definition and measurement.

- Not all the articles on NYT are about economics. Explosive events in other areas may have led to few articles on economics.

## 7. Comment on the appropriateness of the regress/predict model specification.

- The paper decomposes the fundamental available at a month frequency, but the decomposed factors may not be independent of each other, which may cause multicollinearity issues.

**8. What difficulties arise in drawing inferences from the empirical work?**

- Attention is a persistent variable. Whether the predictive power of pre-announcement attention relates to correlation between pre- and post-announcement attention.

**9. Describe at least one publishable and feasible extension of this research.**

- For more timely online news (Bloomberg, Google).
- Other informative characteristics of macroeconomic announcement.