Summary of *Fearing the Fed: How wall street reads main street*

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1. **What are the research questions?**
   - How do stock prices respond to MNAs and what's the mechanism behind the response?
2. **Why are the research questions interesting?**
   - Prior studies researched stock responses to MNAs but:
     - evidence of current explanation[1] is lacking
     - the drivers of the response variation are unclear
   - this paper aims to study these problems.
3. **What is the paper's contribution?**
   - This article contributes to literature about time variation in the stock market's reaction to major MNAs.(McQueen and Roley (1993), et al.)
     - **Past studies:** has contrasted responses in expansions versus recessions;
     - **Expand:** find the most notable cyclical variation takes place within expansions.
   - This article contributes to literature about asset markets and policy.
     (Pearce and Roley (1985), et al.)
     - **Past studies:** study the market movement/response and monetary policy;
     - **Expand:** the driver of time-varying sensitivity is monetary policy expectations.
   - This paper documents the evolving nature of the business cycle-stock return sensitivity relationship since the COVID-19 pandemic by incorporating data up to 2023.
4. **What hypotheses are tested in the paper?**
   - H1: Stocks' sensitivity to MNAs is time varying to economic cycle.
   - H2: The driver of stock sensitivity variation is monetary policy expectations.

   a) **Do these hypotheses follow from and answer the research questions?**
     - Yes, the hypotheses study how stock respond to MNAs and what will affect it.

   b) **Do these hypotheses follow from theory?Explain logic of the hypotheses.**
     - Logic: H1 studies the phenomenon and H2 researches the mechanism behind it.
5. **Sample: comment on the appropriateness of the sample selection procedures.**
   - This article uses MNAs officially released by government bodies, private institutions and macroeconomic data come from the Federal Reserve Bank of St. Louis.The sample covers January 1999 to June 2023. It's relatively proper since the period is long enough.
6. **Comment on the appropriateness of variable definition and measurement.**
   - Independent variable: $X_{i,t} = \frac{MNA_{i,t} - E_{t-\Delta}(MNA_{i,t})}{Normalization}$
   - Dependent variable: $r_{t-\Delta_l}^{t+\Delta_h}$ which is a window of return.
   - Will normalization cause information loss?
7. **Comment on the appropriateness of the regress/predict model specification.**

[1] e.g. good news for cash flow and bad for discount rate

- This paper can control more potential independent variables and cluster the standard errors to gain more precise result.

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

   - There may exist endogenous problems while drawing inferences and in order to get more proper results this article had better explain about this and ensure that there is no omitted variable can affect asset return and MNAs surprise.

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

   - This paper can use LLMs to further identify the surprise of MNAs.
   - We could study the case in China and find whether the phenomenon or mechanism is different.