

# Summary of *Let's face it: Quantifying the impact of nonverbal communication in FOMC press conferences*

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## 1. What are the research questions?

- What are the effects of facial expression in FOMC press conferences?

## 2. Why are the research questions interesting?

- The appreciation for central bank communication has increased dramatically in the past two decades.
- The FOMC has been shown to be an important mover of markets, which gets a lot of attention from market participants

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

- the literature on the signaling channel of monetary policy
  - Existing literature: a strong positive correlation between price changes in the narrow window around the FOMC statement release.
  - Extension: empirically document how market participants react to nonverbal communication signals in real time.

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

- Market participants are influenced by nonverbal signals during FOMC press conferences.
- Negative facial expressions have a negative impact on the market.
- Media attention, forward guidance discussion, and discussion tone amplify the impact of nonverbal communication.

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

- Yes, they are examining the effects of facial expression in FOMC press conferences and the reason.

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

- Yes. They are theoretically grounded from established theories of communication, behavioral finance, and monetary policy

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

- high-frequency data and control for verbal communication, strengthens the validity of the findings.

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6. **Dependent and independent variables: comment on the appropriateness of variable definition and measurement.**
    - Applying cutting edge technology produces a standardized and dynamic measurement to capture nonverbal communication.
  7. **Regression/prediction model specification: comment on the appropriateness of the regress/predict model specification.**
    - The model's structure is consistent with the theoretical framework.
  8. **What difficulties arise in drawing inferences from the empirical work?**
    - The Investors may not operate every minute.
  9. **Describe at least one publishable and feasible extension of this research.**
    - The same method can be applied to earning forecast meeting in order to measure the emotion of CEO.