

# *Summary of Business News and Business Cycles*

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## 1. **What are the research questions?**

- Could we measure the state of the economy via textual analysis of business news?

## 2. **Why are the research questions interesting?**

- It's important to measure the state of the economy and predict future outcomes.
- But the economy is a complex system whose current state defies simple measurement.
- News contains perceptions of economic events, it's interesting to measure the state of the economy via textual analysis of business news, especially the structure of them.

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

1. Literature in economics that uses text as data.
  - **Past studies:** Use tagging or keywords.
  - **Expand:** use news text from The Wall Street Journal.
2. Literature about textual context and asset pricing.
  - **Past studies:** News sentiment and volatility can help predict stock returns and economic crises.
  - **Expand:** Text can extract reliable market-timing signals through topic models.

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

- H1: The topical content of the WSJ news captures the state of the economy.
- H2: News text conveys novel information that is useful to predict macroeconomic.

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

- Yes, they study the contributions of news while studying the state of the economy.

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

- Theory: news contains information about macroeconomic.
- Logic: text of news can capture the state of economic and their dynamic changes.

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

- This paper selects all articles published in the WSJ from 1984 through 2017, and non-economic content were excluded, it's proper.

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

- This paper uses vectors of topic to study news, it can change the method of cluster.

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

- This paper uses macroeconomic VAR model, which is specified well.

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

- This paper only select the news on WSJ, but the results may change when the author changes the source of news.

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

- Try to compare the difference between different source of news or different topic clusters.
- Use LLM to study the text data of news.