

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

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Yiming LI

1. What are the research questions?

- What is the underlying mechanism that explains the fluctuation in stock price sensitivity to MNA announcements over time?

2. Why are the research questions interesting?

- Now we found the response of stock prices to MNAs is time-varying
- Updates to policy expectations incorporated in the news.
 - Good news is generally beneficial for cash flows, but can occasionally have a negative impact on discount rates.
 - There is a lack of evidence supporting this explanation.

3. What is the paper's contribution?

- Establishes empirical facts about the time variation in the stock market's reaction to MNAs.
 - Recent: different responses during expansions versus recessions
 - Extend: peak stock return sensitivity periods do not coincide with more volatile or negative growth periods.
- Contributes to the understanding of stock sensitivities to macro news.
 - Recent: mechanisms include Fed monetary policy actions
 - Extend: consistent with expectations of monetary policy responses to macro news.

4. What hypotheses are tested in the paper?

- H1: The stock market's reaction to major MNAs varies over time.
- H2: Changes in stock sensitivity can be explained by monetary policy expectations.

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

- Yes, illustrate the two aspects of monetary policy that move in opposite directions: when one rises, the other falls.

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

- Positive macro news may prompt Fed tightening, which can offset stock valuation gains. During below-trend periods, stocks react more to macro news due to a weaker policy response.

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

- Yes, but overlapping event windows may exist.

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

- Can economists' expectations accurately reflect those of the general public? Can expectations for a one-day period be absorbed?

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

- Is time series analysis applicable for evaluating time-varying effects?

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

- How can we mitigate the impact of other significant betas?

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

- Investigate the international spillover effects of MNA on stock market sensitivity to macroeconomic news.