

# 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?

- How does the financial market's response to the nonverbal aspect of central bank communication?

## 2 Why are the research questions interesting?

- communication becomes one of the most important tools of policymakers
  - Communication releases get a lot of attention from market participants.
  - FOMC meeting deliberations is a key component of Fed communication
- investors not only listen, but also watch
  - Observed emotions convey additional information to market participants.

## 3 What is the paper's contribution?

- Literature on the signaling channel of monetary policy
  - Prior: strong positive correlation between price changes around the statement release (Gomez Cram and Grotteria, 2022)
  - This study: how market participants react to nonverbal communication signals in real time
- Literature on nonverbal communication in finance
  - Prior: nonverbal communication by executives impacts firm outcomes
  - This study: Fed Chair's emotions carry meaningful information.

## 4 What hypotheses are tested in the paper?

- Hypotheses
  - Negative emotions are related to the stock and currency markets changes
  - Negative Emotions variable impacts trading volumes
- Logic
  - facial expressions, a key channel through which emotional contagion occurs
  - participants act upon information derived from Chair's facial expressions

## 5 Sample

- 2518 observations at the minute level from 46 FOMC meetings chaired by 3 person.

## 6 Dependent and independent variables

- market responses: high-frequency changes in asset prices and volumes
- nonverbal communication: intensity of negative facial expressions

## 7 Regression/prediction model specification

- multivariate regressions, control chair or FOMC meeting fixed effects.

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

- If verbal and nonverbal communication are contradictory, would the market trust more in what it hears or what it sees?

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

- voice during press conferences
- integrating verbal and nonverbal information, research its benefits for financial predictions.