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

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1) **What are the research questions ?**

- What mechanism underlying the time variation in stock price sensitivity to MNAs?

2) **Why are the research questions interesting?**

- The response of stock prices to MNAs is time-varying.

- Overreact, under-react, or even inversely react.

- Explanation lack evidence.

- Time variation is revisions to policy expectations embedded in the news.
- Channels and drivers of time variation are unclear.

3) **What is the paper's contribution?**

- Establishes facts about the time variation in stock market's reaction to MNAs.

- Prior studies: contrasted responses in expansions versus recessions.
- Extend: periods of peak stock return sensitivity do not coincide with more volatile or negative growth periods.

- Time variation is consistent with monetary policy expections responses to MNAs.

- Prior studies: evidence of this explanation is lacking.
- Extend: estimate the MNA responses of stocks and bonds of varying maturities.

4) **What hypotheses are tested in the paper?**

- Hypotheses

- Time variation in the stock market's reaction to major MNAs.
- Monetary policy expectations is a key driver of time-varying return sensitivities.

- The logic of hypotheses

- When cash flow news component of stock responses is least offset by discount rate news, leading to high sensitivity.

5) **Sample**

- Bloomberg forecasts could reflect all available information until MNAs release.

6) **Dependent and independent variables**

- The measurement and characterization of stock market response using a broader set of MNAs and high-frequency returns.

7) **Regression/prediction model specification**

- Reduces the small sample problem by including more data.

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

- Post-Covid-19, the relationship between inflation, monetary policy expectations, and stock market sensitivity has become more complex. Difficult to say that inflation as a key macroeconomic announcement for stock markets.(P7)

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

- How forward guidance from central banks influence the time-varying sensitivity of asset prices?