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

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1. **What are the research questions?**
   - How does stock sensitivity to MNAs vary with economy's state?
   - Why is the response of stock prices to MNAs time-varying?

2. **Why are the research questions interesting?**
   - Reports from financial press suggest that the response of stock prices to MNAs is time-varying as there are periods in which stock prices overreact, under-react, or even inversely react to news that suggest a strengthening economy.
   - The exact nature of channels through which news about economy affects stock price remains unclear.

3. **What is the paper's contribution?**
   - Contribute to the establishment of empirical stylized facts about the time variation in the stock market's reaction to major MNAs.
     - Existing literature: contrasted responses in expansions versus recessions, thus drew focus to risk-based explanations for the time variation.
     - In contrast: sensitivity is largest early in an expansion and essentially zero late in an expansion.
   - Contribute to the exploration of the origins of the observed time variation.
     - Existing literature: volatility-based explanations.
     - Extension: jointly assessment of evidence from stock and bond markets reveals that the variation happens within expansions should be driven by macroeconomic explanations.

4. **What hypotheses are tested in the paper?**
   - Sensitivities of bond and stock returns to news varies with time.
   - Monetary policy expectation is a key driver of time-varying stock return sensitivities.

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

   - Yes, they are all about the response of returns to the macroeconomic news announcements.

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

   - Yes, the first two hypotheses come from the anecdotal evidence from financial press, the other two come from the theoretical analysis of the channel through which macroeconomic news affect returns, identifying the macroeconomic drivers.

5. **Sample: comment on the appropriateness of the sample selection procedures.**
   - This paper uses MNAs tabulated by Bloomberg Financial Services and futures contracts for the asset prices such as the S&P 500 E-Mini Futures (ES), the Eurodollar futures (ED), and the Treasury futures (FV,TY). Futures contracts allow the capture of the effect of announcements that take place at 8:30 a.m. Eastern time before the equity market opens.

6. **Dependent and independent variables: comment on the appropriateness of variable definition and measurement.**

- The dependent variable is return sensitivity(bond and stock). The independent variable is standardized MNA surprise.

7. **Regression/prediction model specification: comment on the appropriateness of the regress/predict model specification.**

   - The regression reveals to what extend the MNA surprise influences the return sensitivities through the estimated beta. And the one factor structure includes more data in the regression.

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

   - In the drivers analysis, it may be too arbitrary to conclude from the joint analysis that macroeconomic explanations should be taken.

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

   - Maybe we can predict the sensitivity of stock returns to specific news during specific period. The problem is that it is not quantified to make profit.