Quant Daily Digest

■ Daily Overview

Macro & Sentiment Wall Street’s quant powerhouse Jane Street reported a record Q2 profit of $6.9B on $10.1B revenue, driven by volatility linked to Trump-era tariffs. This underscores how policy-driven market dislocations remain fertile ground for volatility arbitrage and systematic strategies. Meanwhile, the recent weak U.S. jobs report has injected caution, with investors eyeing upcoming earnings from tech bellwethers Oracle and Adobe for signs of economic resilience. Chinese equities and Hong Kong markets pulled back after a strong rally, led by profit-taking in semiconductors and tech hardware, suggesting regional growth concerns persist despite recent optimism. Equities / Rates U.S. equity futures are mixed, with the Dow hovering near recent highs. AI-related stocks diverged sharply: AppLovin and Robinhood surged, while Nvidia and Tesla remained under pressure, reflecting sector rotation and idiosyncratic flows ahead of Apple’s iPhone event. Elevated volatility from tariff uncertainties continues to fuel quant-driven trading opportunities. Rates markets remain range-bound, with no major shifts following the soft jobs data, as the Fed’s policy path remains data-dependent. FX & Commodities Bitcoin stabilized near $110K, supported by a record-high hash rate signaling robust network security and miner confidence. Ethereum outperformed Bitcoin, hinting at renewed appetite for smart contract platforms. No major commodity moves reported. What to Watch • Q3 earnings from Oracle, Adobe, and Kroger for macro and sector cues • Apple iPhone event for tech sentiment and hardware demand signals • Chinese tech sector performance amid ongoing geopolitical and growth concerns

■ Hot List

$7 billion gain! Wall Street trader who milked crores from India turned Trump tariffs into a fortune

Jane Street reported a record Q2 2025 profit of $6.9 billion on revenues of $10.1 billion, significantly outperforming major US banks. The firm capitalized on heightened market volatility triggered by Trump's tariff policies, which created lucrative trading opportunities. This surge in profits highlights the impact of geopolitical trade tensions on market dynamics and volatility-driven trading strategies. The data underscores the importance of positioning and flow analysis in navigating tariff-induced market disruptions. Jane Street’s performance exemplifies how quant-driven firms can leverage macroeconomic policy shifts for substantial gains.
Read more: https://economictimes.indiatimes.com/markets/stocks/news/7-billion-gain-wall-street-trader-who-milked-crores-from-india-turned-trump-tariffs-into-a-fortune/articleshow/123716721.cms
The Times of India

Bitcoin trades flat at $110K. Analysts say recovery signs are supported by record-high hash rate strength

Bitcoin is trading flat near $110,734, indicating stabilization after recent volatility. The recovery is underpinned by a record-high hash rate, signaling strong network security and miner confidence. Ethereum is outperforming Bitcoin, buoyed by significant ETF inflows, with analysts eyeing a potential move towards $5,000. Altcoins such as XRP and Dogecoin demonstrate resilience amid mixed market sentiment. Institutional interest in Bitcoin is resurging, suggesting renewed confidence from large

investors. Overall, the crypto market shows signs of stabilization and selective strength across major assets.
Read more: https://economictimes.indiatimes.com/markets/cryptocurrency/crypto-news/bitcoin-trades-flat-at-110k-analysts-say-recovery-signs-are-supported-by-record-high-hash-rate-strength/articleshow/123695212.cms
The Times of India

Chinese Stocks Pull Back After Red-Hot Rally

Chinese stocks and Hong Kong equities experienced a pullback following a recent strong rally, with semiconductor and tech hardware sectors leading the decline. These sectors had posted the most significant gains in recent weeks, suggesting profit-taking or a pause in momentum. The sell-off indicates potential short-term volatility after rapid price appreciation. Market participants may be reassessing valuations amid ongoing macroeconomic and policy uncertainties. This correction could impact positioning strategies, especially for quant models sensitive to momentum and sector concentration. Overall, the move reflects a cautious stance after a red-hot rally in key tech-related stocks.
Read more: https://www.wsj.com/finance/stocks/chinese-stocks-pull-back-after-red-hot-rally-c9e86033
The Wall Street Journal

Q3 EPS Estimates for Rezolve AI Lifted by Northland Capmk

Northland Capmk has raised its Q3 2025 EPS estimates for Rezolve AI PLC (NASDAQ:RZLV), signaling improved earnings expectations. Analyst M. Latimore's upgrade reflects stronger anticipated financial performance, potentially influencing investor sentiment and positioning in the stock. This revision may prompt increased buying interest and impact short-term price action. The adjustment highlights positive momentum in Rezolve AI’s fundamentals, which could attract quant strategies focusing on earnings revisions and momentum signals. Market participants should monitor subsequent analyst updates and trading volumes for confirmation of this trend.
Read more:
https://www.etfdailynews.com/2025/09/06/q3-eps-estimates-for-rezolve-ai-lifted-by-northland-capmk/
ETF Daily News

Dow Jones Futures: AI Stocks Diverge As AppLovin, Robinhood Jump; Apple iPhone Event Due

Dow Jones futures showed mixed activity with the market hovering near recent highs. AI-related stocks diverged notably, with AppLovin and Robinhood experiencing significant jumps, while others like Nvidia and Tesla remained in focus but less volatile. The upcoming Apple iPhone event is anticipated to impact tech sector sentiment and potentially drive price action. Market positioning appears cautious ahead of the event, with investors weighing tech valuations amid mixed earnings and macroeconomic data. Overall, the market is consolidating near key levels, reflecting selective sector rotation and investor anticipation.
Read more: https://finance.yahoo.com/m/25e8bb45-f4be-35d6-a478-3c473440c7ee/dow-jones-futures%3A-ai-stocks.html?.tsrc=rss
Yahoo! Finance: ^GSPC ^IXIC ^DJI News

After jobs report, Street hopes for good news from Oracle, Adobe, Kroger

The recent weak U.S. jobs report disappointed investors and the White House, signaling potential economic softness. Following this data, market participants are looking to upcoming earnings from Oracle, Adobe, and Kroger for positive catalysts. These companies' results could influence sector rotation and risk sentiment, especially in tech and consumer staples. The jobs data and earnings reports will be closely watched for clues on the Federal Reserve's next policy moves and potential shifts in market positioning. Overall, the market is in a cautious stance, awaiting fresh data to guide flows and volatility.
Read more: https://www.thestreet.com/investing/stocks/after-jobs-report-street-hopes-for-good-news-from-oracle-adobe-kroger?.tsrc=rss
Yahoo! Finance: ^GSPC ^IXIC ^DJI News

Why AI stock tremors are ripping through portfolios

AI-focused stocks have experienced significant volatility recently, leading to notable portfolio disruptions. After a strong rally, the AI trade is showing signs of fatigue, with key tech names pulling back sharply. This correction is impacting major indices, particularly the Nasdaq, which is heavily weighted with AI-related companies. Market participants are reassessing valuations amid concerns over stretched multiples and potential regulatory scrutiny. Flows into AI ETFs have slowed, and some quant strategies are adjusting exposure to reduce risk. The shift reflects a broader market rotation away from high-growth tech towards more cyclical sectors.
Read more: https://finance.yahoo.com/news/why-ai-stock-tremors-are-ripping-through-portfolios-123012040.html?.tsrc=rss
Yahoo! Finance: ^GSPC ^IXIC ^DJI News

What To Expect in Markets This Week: August Inflation Data, Apple iPhone Event, Updates From Nvidia, Oracle, GameStop

This week's market focus centers on August inflation data, which will influence Federal Reserve policy expectations and impact bond yields and equity valuations. Key tech events include Apple's iPhone launch, potentially affecting tech sector sentiment and supply chain stocks. Earnings updates from Nvidia, AMD, Oracle, and GameStop are also anticipated, with Nvidia and AMD results closely watched for semiconductor demand signals amid ongoing chip shortages. Market positioning may shift based on inflation readings and tech earnings, influencing sector rotations and volatility. Traders should monitor flows into tech and growth stocks versus defensive sectors amid macroeconomic data releases.
Read more: https://www.investopedia.com/what-to-expect-in-markets-this-week-august-inflation-data-apple-iphone-event-updates-from-nvidia-oracle-gamestop-11803381?.tsrc=rss
Yahoo! Finance: ^GSPC ^IXIC ^DJI News

President Donald Trump Just Made Stock Market History by Doing Something No Other President Has in 75 Years

In August, the S&P; 500 achieved a unique milestone under President Donald Trump, marking the first time in 75 years that a second-term president saw such a market performance during that month. This historic event highlights unusual market strength or resilience amid typical seasonal volatility. The data point underscores potential shifts in investor sentiment, policy impact, or macroeconomic conditions

influencing equity flows and positioning. Traders and quants should note this anomaly for its implications on historical market patterns and potential predictive modeling. The event may also reflect underlying policy decisions or economic indicators driving market dynamics.
Read more: https://www.fool.com/investing/2025/09/07/donald-trump-made-stock-market-history-75-years/?.tsrc=rss
Yahoo! Finance: ^GSPC ^IXIC ^DJI News

How deep is the UK’s fiscal hole?

The IMF's recent data highlights the UK's significant fiscal challenges, with public debt projected to rise sharply over the coming years. The UK's fiscal deficit remains elevated compared to peers, driven by increased government spending and slower revenue growth. Market concerns about debt sustainability have influenced sterling volatility and UK bond yields, which have shown sensitivity to fiscal policy signals. Investors are closely monitoring UK government borrowing plans and potential policy adjustments, as these factors impact risk premia and positioning in UK sovereign debt markets. The evolving fiscal outlook is a key driver for UK asset flows and market sentiment.
Read more: https://www.ft.com/content/b7b2120d-31b0-4912-b688-fd400150e0a5
FT Alphaville

When does it pay to hedge FX?

The FT Alphaville article explores the conditions under which hedging foreign exchange (FX) risk becomes beneficial, emphasizing the interplay between interest rate differentials and currency volatility. It highlights that hedging pays off when the cost of forward contracts is outweighed by the reduction in currency risk, particularly in volatile markets or when interest rate gaps are narrow. The piece underscores the importance of quantifying expected returns net of hedging costs, which is crucial for portfolio managers managing international exposures. This analysis aids in understanding FX positioning and flow dynamics, especially amid shifting monetary policies and market uncertainties. The article provides a framework for evaluating when FX hedging enhances risk-adjusted returns.
Read more: https://www.ft.com/content/3967248e-8638-4876-bc4e-8d11b6f918bd
FT Alphaville

A wrong Fed could do the dollar in

The FT Alphaville article highlights concerns over potential Federal Reserve missteps that could weaken the US dollar. It underscores the importance of Fed policy decisions amid rising inflation and global economic uncertainties. The letter to the US Senate warns that aggressive tightening or miscommunication could trigger dollar depreciation, impacting global markets and capital flows. Market participants are closely watching Fed signals for clues on interest rate trajectories and balance sheet adjustments. The piece implies that positioning in dollar assets may face volatility if the Fed's approach diverges from market expectations.
Read more: https://www.ft.com/content/6485ce33-7a44-415d-adc4-d8c029cea9e2
FT Alphaville

■ Articles

Could This “Bible Secret” Be The Cure For Cancer? The WISEST Meal In The World, Pork & Shellfish *Confusion* & Much More With

Jordan Rubin

The provided content is a podcast episode discussing health and dietary topics, including a "Bible secret" potentially related to cancer cures, traditional meals, and food confusions. It does not contain financial market data, price movements, policy changes, capital flows, or positioning information relevant to market or quantitative analysis. Therefore, it holds no actionable insights for financial markets or quant strategies.
Read more: https://bengreenfieldlife.com/podcast/biblio/
Bengreenfieldlife.com

Jio BlackRock CEO: Data-driven approach with fund manager insights sets us apart

Jio BlackRock AMC, led by CEO Sid Swaminathan, is leveraging BlackRock's Aladdin software combined with human fund manager insights to differentiate itself in the mutual fund industry. This data-driven approach aims to enhance portfolio construction and risk management, potentially improving fund performance and investor outcomes. The firm plans to disrupt the market by integrating advanced analytics with active management, signaling a shift towards technology-enabled asset management. This strategy could influence flows into their new offerings, such as the Jio BlackRock Flexicap Fund, by appealing to data-savvy investors. Market participants should watch for positioning changes and fund inflows as the AMC scales.
Read more: https://www.livemint.com/money/personal-finance/jio-blackrock-amc-jio-blackrock-flexicap-fund-jio-blackrock-mutual-fund-launch-sid-swaminathan-11757059428535.html
Livemint

sf-quant 0.1.10

The sf-quant 0.1.10 release on Pypi.org introduces a Python package tailored for the Silver Fund quant team's research and trading activities. This toolset likely enhances data analysis, strategy development, and execution capabilities for quantitative trading. While specific features or updates in this version are not detailed, the package's availability suggests ongoing efforts to streamline quant workflows and improve market modeling. The release may support improved handling of market data, risk metrics, or automated trading signals, relevant for quants focusing on systematic strategies. No direct market data or price action insights are provided.
Read more: https://pypi.org/project/sf-quant/0.1.10/
Pypi.org

hikyuu 2.6.8

Hikyuu 2.6.8 is the latest release of the Hikyuu Quant Framework, designed for system trading analysis and backtesting. This update, available on PyPI, enhances capabilities for quantitative traders and researchers by providing robust tools for strategy development and performance evaluation. The framework supports detailed market data analysis, facilitating improved decision-making in algorithmic trading. Its backtesting features allow users to simulate trading strategies against historical data, aiding in risk assessment and optimization. This release is relevant for quants focusing on systematic trading and quantitative research workflows.
Read more: https://pypi.org/project/hikyuu/2.6.8/
Pypi.org

portfolio-lib added to PyPI

The release of "portfolio-lib" on PyPI introduces a lightweight Python library designed for backtesting algorithmic trading strategies. This tool can aid quants and traders in evaluating portfolio performance, risk metrics, and strategy robustness using historical data. By facilitating efficient backtesting, it supports improved decision-making in strategy development and risk management. The library's availability on PyPI ensures easy integration into Python-based quant workflows, potentially accelerating research and deployment cycles. This addition reflects ongoing growth in accessible quant tools for systematic trading.
Read more: https://pypi.org/project/portfolio-lib/
Pypi.org

Socio-psychological determinants of scabies contact notification among Dutch students: A qualitative study

The article discusses the rising incidence of scabies among young adults in Europe, focusing on Dutch students' behavior regarding contact notification. It explores the socio-psychological factors that influence whether students notify their contacts correctly and promptly. While the study provides insights into behavioral patterns and public health implications, it lacks direct relevance to financial markets, price action, policy changes, or trading flows. There are no data points or market positioning details that would impact quantitative or market analysis.
Read more: https://journals.plos.org/plosntds/article?id=10.1371/journal.pntd.0013471
Plos.org

How Can Leaders Be A Rock Of Stability In Times Of Uncertainty?

The article discusses leadership qualities essential for providing stability during uncertain times, emphasizing the importance of creating a sense of safety rather than heroism. While not directly related to financial markets, the insights can influence market sentiment by highlighting how effective leadership can stabilize organizations and investor confidence amid volatility. Leaders who communicate clearly and foster trust may reduce panic-driven market moves and support steadier flows. This indirectly affects positioning as market participants respond to perceived stability or risk in leadership during economic or geopolitical uncertainty.
Read more: https://www.forbes.com/sites/sallypercy/2025/09/04/how-can-leaders-be-a-rock-of-stability-in-times-of-uncertainty/
Forbes

FTAV’s Friday charts quiz: centenary edition

FT Alphaville’s centenary edition of the Friday charts quiz highlights key market data and trends through visual analysis. The quiz includes charts that reflect significant price movements, policy impacts, and shifts in market positioning over the past century. It emphasizes the importance of understanding historical data patterns to inform current quantitative strategies and market forecasts. The visual approach aids in identifying correlations and anomalies relevant to asset flows and investor behavior. This edition serves as a tool for quants and market participants to refine their analytical frameworks using historical context.
Read more: https://www.ft.com/content/ee6ce22d-2e4e-4de4-9f83-20d9662ab690
FT Alphaville

FTAV’s further reading

The FT Alphaville article covers diverse topics including French nuclear energy developments, El Salvador's economic moves, and UK political dynamics. It also touches on trends in long-term bond yields, highlighting shifts in fixed income markets. The piece references social media's impact on market sentiment and the broader theme of challenging established power structures. While not focused on specific price data or flows, the discussion provides context for geopolitical and policy factors influencing market positioning and risk assessment. The insights may inform quant strategies sensitive to macroeconomic and political risk factors.
Read more: https://www.ft.com/content/adf75412-73b7-42a6-81c3-5f427c78ef04
FT Alphaville

■ AI & Finance

Thanks to the AI data center boom, it’s a good time to be an electrician

The AI-driven surge in data center construction is significantly boosting demand for skilled electricians, reflecting a broader trend in infrastructure investment linked to AI expansion. This increased demand is likely to impact labor markets and wage dynamics within the construction and tech infrastructure sectors. For market participants, this trend signals potential growth in companies specializing in electrical contracting and data center infrastructure. Additionally, increased capital expenditure in AI-related data centers may influence related supply chains and technology hardware providers. Investors should monitor labor market tightness and wage inflation risks in this niche as part of broader AI-driven economic shifts.
Read more: https://finance.yahoo.com/news/thanks-to-the-ai-data-center-boom-its-a-good-time-to-be-an-electrician-133026522.html
Yahoo Entertainment

Oil Stocks To Add to Your Watchlist – September 4th

MarketBeat’s stock screener highlights five oil-related stocks to watch: ServiceNow, Procter & Gamble, Exxon Mobil, Sherwin-Williams, and C3.ai. Despite some companies not being traditional oil producers, their inclusion suggests a broader energy sector or service-related exposure. Exxon Mobil remains a key oil industry bellwether, with price action likely influenced by ongoing energy demand and supply dynamics. The list may reflect shifts in positioning or flows into energy and related sectors amid current market conditions. Quant strategies could consider these names for sector rotation or thematic exposure to energy and industrial services.
Read more: https://www.etfdailynews.com/2025/09/06/oil-stocks-to-add-to-your-watchlist-september-4th/
ETF Daily News

Northland Capmk Expects Increased Earnings for Rezolve AI

Northland Capital Markets has raised its Q3 2026 EPS estimates for Rezolve AI PLC (NASDAQ:RZLV), signaling improved earnings expectations. Analyst M. Latimore's updated forecast reflects a more optimistic outlook on the company's financial performance. This revision may influence investor sentiment and positioning in RZLV shares, potentially impacting price action. The earnings upgrade suggests positive momentum for Rezolve AI, which could attract increased trading flows and interest

from quant strategies focusing on earnings revisions and momentum signals.
Read more:
https://www.etfdailynews.com/2025/09/06/northland-capmk-expects-increased-earnings-for-rezolve-ai/
ETF Daily News

Financial Contrast: Predictive Oncology (NASDAQ:POAI) vs. Schrodinger (NASDAQ:SDGR)

Predictive Oncology (NASDAQ:POAI) and Schrodinger (NASDAQ:SDGR) are small-cap medical stocks under comparison for valuation and earnings strength. The analysis focuses on key financial metrics, including price action and dividend potential, to determine which stock offers better investment value. Market positioning and recent flow trends are considered to assess relative performance. Both companies operate in the medical sector, but differences in earnings growth and valuation multiples may influence quant-driven portfolio decisions. The report highlights critical data points relevant for market participants evaluating small-cap biotech exposure.
Read more: https://www.etfdailynews.com/2025/09/06/financial-contrast-predictive-oncology-nasdaqpoai-vs-schrodinger-nasdaqsdgr/
ETF Daily News

■ Research Highlights

The capital puzzle

This paper investigates whether central banks can tighten monetary policy while real interest rates decline under conditions of monetary dominance. By incorporating endogenous capital accumulation into a New Keynesian framework, the author shows that real interest rates can move unpredictably following a persistent monetary policy shock. The analysis uses a theoretical model rather than empirical data to demonstrate that the real interest rate channel may not be a reliable structural mechanism in these settings. The key finding is that the relationship between monetary tightening and real interest rates is more complex than traditionally assumed. Why it matters: It challenges the conventional view that real interest rates always rise with monetary tightening, impacting how policymakers interpret interest rate movements.
Read: https://www.bis.org/publ/work1288.htm
BIS and FSI publications

Banks' regulatory risk tolerance

This paper examines how banks' risk tolerance is influenced by regulatory requirements, focusing on the trade-off between risk-taking and capital constraints. Using detailed supervisory and financial data from a broad sample of banks, the authors analyze how changes in regulatory capital rules affect banks' willingness to hold risky assets. They find that stricter capital requirements generally reduce banks' risk tolerance, leading to more conservative asset portfolios, but the effect varies depending on bank size and business model. The study highlights the dynamic interaction between regulation and bank behavior, showing that regulatory policies can effectively shape risk-taking incentives. Why it matters: Understanding banks' regulatory risk tolerance helps practitioners anticipate how changes in capital rules impact banks' lending and investment strategies, informing risk management and regulatory compliance decisions.
Read: https://www.bis.org/publ/work1287.htm
BIS and FSI publications

How do quantitative easing and tightening affect firms?

This paper investigates how central bank policies of quantitative easing (QE) and quantitative tightening (QT) influence firm behavior and financial conditions. Using firm-level data combined with macroeconomic indicators, the authors analyze changes in credit availability, investment, and risk-taking during periods of asset purchases and sales by central banks. They find that QE generally improves firms' access to credit and encourages investment, while QT tends to tighten financial conditions, reducing investment and increasing borrowing costs. The study highlights heterogeneous effects across industries and firm sizes, with smaller and more leveraged firms being more sensitive to these policies. Why it matters: Understanding the firm-level impact of QE and QT helps practitioners anticipate how shifts in central bank balance sheets can affect corporate financing and investment decisions.

Read: https://www.bis.org/publ/work1286.htm

BIS and FSI publications

R* in East Asia: business, financial cycles, and spillovers

This paper addresses the challenge of estimating the neutral interest rate (r*) in East Asian economies, focusing on China, Japan, Korea, and the US as a benchmark. The authors apply a frequency domain method using quarterly data to separately estimate r* over business and financial cycles through band spectrum regressions. They enhance the reliability of their estimates by constructing confidence intervals using a thick modeling approach that accounts for uncertainty. Key findings reveal distinct neutral rates tied to business versus financial cycles, highlighting spillover effects among these economies. Why it matters: Understanding cycle-specific neutral rates helps policymakers tailor monetary policy more precisely in interconnected East Asian markets.

Read: https://www.bis.org/publ/work1285.htm

BIS and FSI publications

Financial stability implications of tokenisation - Executive Summary

This report examines the financial stability implications of using distributed ledger technology (DLT) for tokenising financial assets, excluding central bank digital currencies and cryptoassets. It reviews current private and public sector projects that leverage DLT to represent traditional financial instruments as digital tokens. The analysis draws on a broad range of data from ongoing initiatives and regulatory insights to assess risks and benefits. Key findings highlight potential improvements in efficiency and transparency but also raise concerns about operational risks, market integrity, and regulatory challenges. Why it matters: Understanding the stability risks and opportunities of DLT-based tokenisation is crucial for developing appropriate regulatory frameworks that support innovation while safeguarding the financial system.

Read: https://www.bis.org/fsi/fsisummaries/exsum_23905.htm

BIS and FSI publications

What is needed for convergence? The role of finance and capital

This paper investigates what drives poorer countries to catch up with richer ones in terms of manufacturing labor productivity. Using industry-level data from many countries between 1980 and 2022, the authors analyze how human capital, physical capital, and financial development affect convergence rates. They find that industries relying more on human capital tend to converge faster,

while those dependent on physical capital only catch up if the country has well-developed financial systems. The study highlights that financial development is crucial for capital-intensive industries to close the productivity gap. Why it matters: Understanding the interplay between finance and capital helps policymakers design targeted strategies to accelerate economic catch-up in developing countries.
Read: https://www.bis.org/publ/work1284.htm
BIS and FSI publications

Advancing in tandem - results of the 2024 BIS survey on central bank digital currencies and crypto

This paper reports on the 2024 BIS survey of 93 central banks regarding their work on central bank digital currencies (CBDCs). It finds that 91% of these banks are actively exploring retail and/or wholesale CBDCs, with wholesale CBDC projects generally more advanced. The study highlights that while approaches and design priorities differ by country, a common motivation is maintaining the role of central bank money amid declining cash use and growing tokenization of assets. Additionally, over one-third of central banks have accelerated CBDC efforts in response to developments in stablecoins and cryptoassets. Why it matters: Central banks worldwide are rapidly advancing CBDC initiatives to adapt to evolving digital finance landscapes and safeguard monetary sovereignty.
Read: https://www.bis.org/publ/bppdf/bispap159.htm
BIS and FSI publications

An approach to anti-money laundering compliance for cryptoassets

This paper addresses the challenge of anti-money laundering (AML) compliance in cryptoassets, where traditional methods relying on trusted intermediaries fall short due to the decentralized nature of public blockchains. The authors propose a novel approach that leverages the transparent transaction history on blockchains to trace the provenance of specific cryptoasset units or balances, including stablecoins. Using this data, they develop an AML compliance score that estimates the likelihood that a given cryptoasset is linked to illicit activity. This score can be used at critical points where cryptoassets interact with the traditional banking system ("off-ramps") to block potentially tainted funds. The key result is a framework that enhances AML efforts by integrating blockchain transparency with compliance controls at the interface between crypto and traditional finance. Why it matters: This approach enables more effective AML compliance in crypto markets by using blockchain data to prevent illicit funds from entering the regulated financial system.
Read: https://www.bis.org/publ/bisbull111.htm
BIS and FSI publications

Macroeconomic impact of tariffs and policy uncertainty

This paper examines how tariffs impact macroeconomic outcomes, focusing on trade volumes, output growth, inflation, and policy uncertainty. Using cross-country data and economic modeling, the authors find that tariffs reduce output growth globally, with varying severity, and tend to increase inflation especially in countries imposing tariffs. Beyond direct effects, tariffs cause exchange rate fluctuations, disrupt supply chains, and lead to trade diversion, which amplify negative growth and inflation pressures. Persistent uncertainty around trade policies can further dampen domestic demand and threaten global economic growth. Why it matters: Understanding these broad and indirect effects helps practitioners anticipate inflationary pressures and growth slowdowns linked to trade tensions and adjust risk management and policy strategies accordingly.
Read: https://www.bis.org/publ/bisbull110.htm

BIS and FSI publications

Comparing search and intermediation frictions across markets

This paper addresses the problem of trading frictions and welfare losses in over-the-counter (OTC) markets for UK government and corporate bonds. The authors develop a two-asset search-and-bargaining model and apply it to transaction-level data combined with matched client samples to estimate the extent of trading delays and intermediation costs. They find that corporate bonds exhibit significantly higher frictions and welfare losses (5.0%) compared to government bonds (2.4%), mainly driven by trading delays. Additionally, analysis of data from the COVID-19 crisis shows that these welfare losses can more than double during periods of market stress, highlighting the vulnerability of OTC market structures. Why it matters: Understanding and quantifying these frictions helps practitioners assess liquidity risks and the potential cost impact of trading in different bond markets, especially during turbulent times.
Read: https://www.bis.org/publ/work1283.htm
BIS and FSI publications

Market whiplash after the 2025 tariff shock: an event-targeted VAR approach

This paper examines the sharp but short-lived market reaction following the U.S. tariff announcement in April 2025. The authors develop an event-targeted vector autoregression (ETVAR) method to separate the effects of the initial tariff shock from subsequent tariff news and other macroeconomic surprises. Using financial data on equities, copper prices, volatility indexes, inflation expectations, the dollar, and government bonds, they find that the initial tariff shock explains most of the recovery in risk assets and inflation expectations, while currency and bond yield moves are driven by other factors like Treasury market liquidity issues. The study shows that not all market movements after major policy events stem directly from the policy itself, emphasizing the need for nuanced, event-specific analysis. Why it matters: This approach helps practitioners better identify the true drivers of market moves following major policy shocks, improving risk assessment and trading strategies.
Read: https://www.bis.org/publ/work1282.htm
BIS and FSI publications

Public support for bank resolution

This paper examines how public support is used in the resolution of failing banks to maintain their critical functions and ensure financial stability. It reviews different resolution tools and funding sources, including bail-ins of creditors, industry-funded resolution or deposit insurance funds, and occasional public resources. The study analyzes policies across jurisdictions that determine when and how public funds are deployed and recovered to supplement internal and industry resources. Key findings highlight the trade-offs and frameworks that balance cost allocation between private stakeholders and taxpayers during bank resolution. Why it matters: Understanding public support mechanisms helps practitioners design effective resolution strategies that minimize systemic risk and protect public finances.
Read: https://www.bis.org/fsi/publ/insights67.htm
BIS and FSI publications

Integrating balance sheet policy into monetary policy conditions

This paper addresses the challenge of measuring monetary policy stance by combining traditional interest rate tools with central bank balance sheet size into a single Monetary Policy Condition Index (MCI). Using a Bayesian Vector Autoregression model on historical data, the authors estimate the relative importance of balance sheet policies and analyze their dynamic effects on output, inflation, and financial conditions. The key finding is that large-scale balance sheet expansions have provided significant monetary accommodation, even when interest rates were not at their effective lower bound. The MCI framework also allows for counterfactual analysis, revealing new insights into the effectiveness and side effects of unconventional monetary policies. Why it matters: The MCI offers practitioners a more comprehensive and nuanced tool to assess monetary policy stance by integrating both interest rate and balance sheet actions.
Read: https://www.bis.org/publ/work1281.htm
BIS and FSI publications

Navigating global headwinds: Africa's trade landscape and growth opportunities

This paper examines how global trade challenges, including new US tariffs and slower global demand, indirectly impact Africa's economic growth. Using data on trade exposure and regional integration efforts, the authors highlight that Africa's direct tariff exposure is limited but vulnerable through global financial conditions. They emphasize the potential of the African Continental Free Trade Area to strengthen regional supply chains and reduce dependence on commodity exports. The study also points to Africa's young workforce, digital innovation, and natural resources as key drivers for future growth, contingent on investments in skills, infrastructure, and financial integration. Why it matters: Enhancing regional trade and investing in human and physical capital are critical for Africa to navigate global headwinds and unlock sustainable growth opportunities.
Read: https://www.bis.org/publ/bisbull109.htm
BIS and FSI publications

Soybean yield prediction in Argentina using climate data

This paper addresses the challenge of predicting soybean yields in Argentina by analyzing the impact of climate variability on production at a detailed regional level. The authors use a new dataset covering 1980 to 2023 across Argentine departments and apply a fixed effects spatial error model to isolate the long-term effects of weather shocks like extreme heat, rainfall changes, and ENSO climate phases, while accounting for economic and technological influences. Their findings highlight how specific climate factors significantly affect soybean yields, even after controlling for advancements in seed technology and market conditions. This approach provides a more nuanced understanding of how climate variability drives agricultural output in a key global soybean exporter. Why it matters: It offers a robust framework for integrating climate risk into agricultural forecasting and policy-making, helping stakeholders better anticipate and manage yield fluctuations.
Read: https://www.bis.org/publ/work1278.htm
BIS and FSI publications

Inflation Since the Pandemic: Lessons and Challenges

This paper examines the drivers of inflation since the COVID-19 pandemic, focusing on how supply chain disruptions, labor market dynamics, and monetary policy have contributed to rising prices. The authors use detailed economic data from the U.S. economy, including price indexes, employment figures, and supply chain indicators, to analyze inflation trends from 2020 onward. Their method

involves decomposing inflation into various components to identify which factors have been most influential during different phases of the recovery. A key finding is that while supply constraints initially dominated inflation pressures, labor market tightness and elevated demand have become increasingly important drivers. The study also highlights the challenges policymakers face in balancing inflation control with supporting economic growth. Why it matters: Understanding the evolving causes of inflation helps practitioners anticipate market moves and adjust strategies amid shifting economic conditions.
Read: https://www.frbsf.org/wp-content/uploads/wp2025-16.pdf
Central bank research hub - Recent additions

Tariffs, Stablecoins, and the Demand for Dollars

This paper examines how tariffs influence the global demand for U.S. dollars, particularly through the lens of stablecoins—digital assets pegged to the dollar. Using a combination of trade data, tariff schedules, and stablecoin transaction volumes, the authors develop a model linking increased tariffs to higher demand for dollar-denominated assets as firms seek to hedge currency risk and facilitate cross-border payments. The key finding is that tariffs not only raise the cost of trade but also boost the use of stablecoins, reinforcing the dollar's dominance in international finance. This relationship suggests that trade policy can have significant spillover effects on currency markets and digital asset adoption. Why it matters: Understanding how tariffs drive demand for dollars and stablecoins helps practitioners anticipate shifts in currency flows and digital payment trends amid changing trade policies.
Read: https://www.clevelandfed.org/-/media/project/clevelandfedtenant/clevelandfedsite/publications/working-papers/2025/wp2521.pdf
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Part-Time for Economic Reasons During the Global Financial Crisis

This paper examines the rise in part-time employment for economic reasons (PTER) during the Global Financial Crisis, focusing on how many workers were involuntarily working part-time due to economic conditions rather than personal choice. Using detailed labor market data from the U.S. Current Population Survey, the author analyzes trends in PTER and its relationship to unemployment and underemployment during the crisis period. The study finds that PTER increased sharply during the downturn, serving as a significant indicator of labor market distress beyond traditional unemployment measures. This highlights the importance of considering underemployment metrics when assessing economic health during recessions. Why it matters: Understanding part-time work for economic reasons provides a fuller picture of labor market slack and helps policymakers design better responses to economic downturns.
Read: https://www.clevelandfed.org/-/media/project/clevelandfedtenant/clevelandfedsite/publications/working-papers/2025/wp2520.pdf
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Robinson Meets Roy: Monopsony Power and Comparative Advantage

This paper investigates how monopsony power—where employers have wage-setting power—affects comparative advantage and trade patterns between countries. The authors develop a theoretical model combining labor market frictions with international trade, then calibrate it using U.S. labor market and trade data. They find that monopsony power can significantly alter wage distributions and trade flows, leading to less specialization than traditional models predict. The results suggest that accounting for employer market power is crucial for understanding real-world trade dynamics and labor market

outcomes. Why it matters: Incorporating monopsony power into trade models provides a more accurate framework for policymakers to assess labor market policies and international competitiveness.
Read: https://www.clevelandfed.org/-/media/project/clevelandfedtenant/clevelandfedsite/publications/working-papers/2025/wp2519.pdf
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Unintended Consequences of Regulating Central Clearing

This paper examines the unintended effects of regulations that increase the use of central clearing for derivatives to reduce systemic risk. Using a theoretical model calibrated with market data, the authors analyze how stricter clearing requirements can shift risk exposures and liquidity demands among financial institutions. They find that while central clearing reduces counterparty risk, it can also concentrate risks and liquidity pressures on clearing members, potentially increasing overall market fragility. The study highlights trade-offs in regulatory design that may inadvertently amplify stress during market disruptions. Why it matters: Understanding these unintended consequences helps regulators and practitioners balance risk mitigation with market stability when implementing clearing mandates.
Read: https://www.philadelphiafed.org/-/media/FRBP/Assets/working-papers/2025/wp25-24.pdf
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Firm-Level Input Price Changes and Their Effects: A Deep Learning Approach

This paper addresses how changes in input prices at the firm level impact firm behavior and economic outcomes. The authors develop a deep learning model to analyze detailed firm-level data on input costs, capturing complex nonlinear relationships that traditional methods may miss. Using a large dataset of U.S. manufacturing firms, the model predicts how input price fluctuations affect firm production decisions and pricing strategies. Key results show that firms respond heterogeneously to input price changes, with significant variation across industries and firm sizes. Why it matters: Understanding firm-specific input cost dynamics helps improve forecasting of inflation and supply chain disruptions in macroeconomic policy and risk management.
Read: https://www.atlantafed.org/-/media/documents/research/publications/wp/2025/08/19/07-firm-level-input-price-changes-and-their-effects-deep-learning-approach.pdf
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The Economic Impact of the Deposit Interest Rate Adjustment Speed

This paper investigates how quickly banks adjust deposit interest rates in response to changes in market conditions and the resulting economic effects. Using detailed Latvian banking data, the author measures the speed of deposit rate adjustments and analyzes their impact on household savings behavior and overall economic activity. The study finds that faster adjustment speeds lead to more efficient transmission of monetary policy, influencing consumption and investment decisions more promptly. Slower adjustments, conversely, can dampen the effectiveness of policy changes and delay economic responses. Why it matters: Understanding the speed of deposit rate adjustments helps policymakers and banks improve monetary policy effectiveness and financial stability.
Read: https://datnes.latvijasbanka.lv/papers/WP_5_2025_EN.pdf
Central bank research hub - Recent additions

Pollution Taxes and Clean Subsidies in an Open Economy

This paper examines how pollution taxes and clean energy subsidies interact in an open economy setting, focusing on their effectiveness in reducing emissions while considering international trade effects. The author develops a theoretical model incorporating cross-border capital flows and production to analyze the optimal design of environmental policies. Using calibrated data reflecting a typical open economy, the study finds that combining pollution taxes with clean subsidies can achieve better environmental outcomes and economic efficiency than either policy alone, especially when accounting for leakage effects from trade. The results highlight the importance of coordinated policy measures to address pollution without harming competitiveness. Why it matters: It provides practical insights on designing environmental policies that balance emission reduction goals with economic openness and trade considerations.
Read: https://www.dallasfed.org/~/media/documents/research/papers/2025/wp2533.pdf
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Import Source Reallocation and Aggregate Price Dynamics in the United States

This paper investigates how shifts in the sources of U.S. imports affect overall price changes in the economy. Using detailed import data across countries and product categories, the authors develop a model to quantify how reallocating import sources influences aggregate price dynamics. They find that changes in import sourcing can significantly impact U.S. inflation measures, especially when prices differ substantially across countries. The study highlights that import source reallocation is an important driver of price fluctuations beyond domestic factors. Why it matters: Understanding import source shifts helps improve inflation forecasting and monetary policy decisions by capturing external price pressures more accurately.
Read: https://s3.amazonaws.com/real.stlouisfed.org/wp/2025/2025-018.pdf
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When Liquidity Matters: Firm Balance Sheets during Large Crises

This paper investigates how firms' liquidity positions affected their financial health and survival during major economic crises. Using detailed firm-level balance sheet data across multiple large downturns, the authors analyze how cash holdings and liquid assets helped firms withstand shocks and avoid distress. They employ empirical methods to compare firm outcomes based on liquidity levels before and during crises. The key finding is that firms with stronger liquidity buffers experienced significantly better performance and lower default risk in turbulent times. Why it matters: Understanding the protective role of liquidity can guide risk management and policy decisions to enhance corporate resilience in future crises.
Read: https://s3.amazonaws.com/real.stlouisfed.org/wp/2025/2025-019.pdf
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The Banking Panic in New Mexico in 1924 and the Response of the Federal Reserve

This paper examines the banking panic that occurred in New Mexico in 1924, analyzing how the Federal Reserve responded to stabilize the situation. Using historical banking data and Federal Reserve records from that period, the study reconstructs the sequence of events leading to the panic and the policy measures implemented. The author finds that the Federal Reserve's intervention, including liquidity support and communication efforts, helped contain the panic and prevent a broader financial crisis. This case provides insight into early central banking crisis management before the

establishment of modern deposit insurance. Why it matters: Understanding historical central bank responses to banking panics can inform current crisis management strategies and improve financial stability policies.
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Policy Rate Uncertainty and Money Market Funds (MMF) Portfolio Allocations

This paper investigates how uncertainty about Federal Reserve policy rates influences the portfolio allocation decisions of money market funds (MMFs). Using detailed MMF portfolio data alongside measures of policy rate uncertainty derived from market-based indicators, the authors analyze shifts in asset holdings during periods of heightened uncertainty. They find that increased policy rate uncertainty leads MMFs to reduce exposure to longer-maturity and riskier instruments, favoring safer, shorter-term assets to manage risk. This behavior highlights the sensitivity of MMF investment strategies to monetary policy ambiguity. Why it matters: Understanding MMF responses to policy uncertainty helps anticipate liquidity and risk dynamics in short-term funding markets during volatile monetary policy environments.
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Recession Shapes of Regional Evolution: Factors of Hysteresis

This paper investigates how recessions impact regional economies differently over time, focusing on the concept of hysteresis—where past economic downturns have lasting effects on regional growth trajectories. Using detailed regional economic data from the United States, the authors analyze patterns of recovery and persistent decline across various areas following recessions. They employ econometric models to identify key factors that contribute to these differing recession shapes, such as industrial composition, labor market dynamics, and policy responses. The study finds that regions with certain structural characteristics experience prolonged negative effects, highlighting the importance of understanding local economic resilience. Why it matters: Recognizing the factors behind regional hysteresis can help policymakers design targeted interventions to promote more balanced and sustained economic recoveries after recessions.
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Texas Service Sector Outlook Survey: Survey Methodology, Performance and Forecast Accuracy

This paper evaluates the Texas Service Sector Outlook Survey, which collects monthly data from service industry firms in Texas to gauge economic conditions and expectations. The authors analyze the survey's methodology, its historical performance, and the accuracy of its forecasts compared to actual economic outcomes. Using extensive survey data and economic indicators, they find that the survey provides timely and reliable signals about service sector activity and future economic trends in Texas. The results suggest that the survey is a valuable tool for monitoring regional economic health and anticipating shifts in the service industry. Why it matters: This survey offers practitioners a credible, high-frequency source of forward-looking information to inform investment and business decisions in the Texas service sector.
Read: https://www.dallasfed.org/~/media/documents/research/papers/2025/wp2532.pdf

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Expanding the Labor Market Lens: Two New Eurozone Labor Indicators

This paper addresses limitations in traditional Eurozone labor market indicators by introducing two new measures that capture broader labor market dynamics. The authors develop these indicators using detailed labor force survey data across Eurozone countries, focusing on aspects like underemployment and labor market slack beyond standard unemployment rates. Their analysis shows that these new indicators provide a more comprehensive and timely picture of labor market conditions, improving the assessment of economic slack and potential inflationary pressures. The key result is that policymakers can better gauge labor market health and make more informed decisions using these expanded measures. Why it matters: These enhanced labor market indicators offer a more accurate tool for monetary policy and economic forecasting in the Eurozone.
Read: https://www.federalreserve.gov/econres/ifdp/files/ifdp1415.pdf
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DP20619 The Transmission of Reliable und Unreliable Information

This paper investigates why unreliable information often influences behavior as much as reliable information, focusing on how word-of-mouth transmission affects the preservation of claim reliability. Through controlled online experiments where participants relay economic forecasts via voice messages, the authors find that while the core claims are retained, the reliability cues are frequently lost during transmission. As a result, listeners respond similarly to both reliable and unreliable information once it has been passed along. The study identifies that reliability information is less likely to be recalled and transmitted because it is less salient or more cognitively demanding to retrieve, a finding supported by analyses of everyday conversations and economic news. Why it matters: Understanding that reliability cues degrade in transmission highlights the challenge of combating misinformation spread through informal communication channels.
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Discussion Papers

DP20621 The transmission of shocks across sectors and the dynamics of sectoral prices

This paper investigates how shocks to U.S. producer prices in different sectors propagate through the economy by incorporating input-output relationships into a large Bayesian vector autoregressive model. Using sector-level data and instrumental variables to identify shocks, the authors find that including input-output structure improves inflation forecast accuracy compared to standard models. They reveal that shocks affect sectors unevenly and that sectoral interconnections play a crucial role in how aggregate shocks, such as monetary policy changes, transmit through the pricing network. The study highlights which sectors are most influential in driving inflation dynamics following various shocks. Why it matters: Understanding sectoral shock transmission helps improve inflation forecasting and informs targeted policy interventions.
Read: https://cepr.org/publications/dp20621
Discussion Papers

DP20615 Take-up of Social Benefits: Experimental Evidence from France

This paper investigates barriers to social benefit take-up among job seekers in France through two nationwide experiments. The first intervention involved in-person meetings with social services to assess eligibility and assist with applications, which increased benefit take-up by 29%. The second intervention provided an online simulator offering personalized eligibility information but did not affect take-up rates. Analysis revealed that those who would gain the most from meetings were paradoxically the least likely to attend, highlighting transaction costs as a key obstacle rather than lack of information alone. Why it matters: Simplifying application processes and reducing transaction costs can significantly improve access to social benefits, informing policy design for more effective welfare programs.
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Discussion Papers

DP20616 Labor Force Transitions at Older Ages: Burnout, Recovery, and Reverse Retirement

This paper investigates why many older workers frequently exit and later re-enter the labor force, focusing on partial and reverse retirement behaviors. Using longitudinal data from the Health and Retirement Study, the authors find that these transitions are closely linked to job-related stress rather than just health or financial shocks. They develop a dynamic retirement model incorporating a novel burnout-recovery process to capture how work stress accumulates and dissipates, successfully explaining a large share of observed labor force patterns. Policy simulations suggest that interventions like part-time work subsidies and sabbaticals can reduce burnout and improve labor force participation and welfare, while removing earnings tests increases re-entry but also stress. Why it matters: Understanding and addressing work-related stress is key to designing effective policies that encourage sustained labor force engagement among older workers.
Read: https://cepr.org/publications/dp20616
Discussion Papers

DP20617 How do Beliefs and Preferences over Jobs Affect Enrollment in Vocational Training: Experimental Evidence from India

This paper investigates how young job seekers' beliefs and preferences influence their decision to enroll in a government vocational training program in rural India that guarantees urban job placement. The authors find that participants are overly optimistic about job salaries and proximity to home, expecting better pay and closer locations than reality. Through a randomized controlled trial, they provide accurate information about actual salary distributions and job locations, which corrects these misperceptions and changes enrollment decisions. The data reveal a strong preference for local jobs, with job seekers requiring about 50% higher pay to accept positions outside their home state. Why it matters: Correcting job seekers’ misbeliefs and understanding their location preferences can improve the design and uptake of vocational training programs, enhancing labor market outcomes.
Read: https://cepr.org/publications/dp20617
Discussion Papers

DP20618 Wage Markdowns and the Sorting of Workers to Firms when Skills are Bundled

This paper examines how workers with multiple, bundled skills are matched to firms that value these skills differently in a competitive labor market. The authors model firms producing output using employees' skill bundles through a concave production function with firm-specific input weights, introducing a friction from skill bundling that leads to sorting of workers to firms based on comparative advantage. They find that workers with balanced skill sets face wage markdowns, and that the equilibrium wage schedule is convex with skill prices varying across firms despite full competition. Using linked data on worker skills and their employers, the paper empirically supports the model's assumptions and predictions. Why it matters: Understanding how skill bundling affects worker-firm matching and wage structures can improve talent management and compensation strategies in firms.
Read: https://cepr.org/publications/dp20618
Discussion Papers

DP20614 Career Paths with a Two-Body Problem: Colocation and Gendered Professional Crossroads

This paper examines how the need for dual-career couples to live in the same location affects their professional trajectories, focusing on gender differences. Using empirical data, it finds that wives are more likely than husbands to switch to less rewarding jobs after a move. The authors develop a job search model that incorporates colocation constraints, showing that these constraints lead couples to sacrifice one spouse's career, often the wife's, both before and after relocation. The calibrated model successfully replicates observed patterns and highlights how colocation pressures exacerbate gender disparities in career outcomes. Why it matters: Understanding the impact of colocation constraints helps firms and policymakers address gender gaps and support dual-career couples more effectively.
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Discussion Papers

DP20620 Flexclusivity: Exclusive Agreements with Competitive Flexibility

This paper addresses the seller's dilemma between running open competitive auctions or entering exclusive deals with preferred buyers. The authors propose a novel "flexclusivity" strategy, combining exclusivity with the option to later hold competitive auctions, implemented via simple option contracts. Using a parsimonious theoretical model, they show that this approach can increase expected joint profits by allowing sellers to screen buyer strength and extract more value. Empirical or market data is not the focus; rather, the contribution is a conceptual framework demonstrating that flexclusivity can capture up to 75% of the gains from full vertical integration without long-term commitments. Why it matters: Flexclusivity offers a practical, flexible contracting strategy that balances exclusivity and competition to boost seller profits and buyer cooperation.
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Discussion Papers

DP20613 Membership Turnover and Policy Disagreement at the FOMC

This paper investigates how membership turnover affects decision-making dynamics within the Federal Open Market Committee (FOMC). Using a voting model that accounts for the chair's agenda-setting power and the shifting identity of the median voter due to rotation and appointments, the authors estimate preference parameters from data spanning 274 FOMC meetings. The analysis reveals that greater policy disagreement among members leads to more frequent dissenting votes and slower policy changes, but turnover itself does not cause more volatile interest rate adjustments. This suggests that while differing views complicate consensus, the committee's overall policy stability remains intact despite member changes. Why it matters: Understanding how disagreement and turnover influence FOMC decisions helps practitioners anticipate the likelihood of dissent and policy inertia without expecting increased market volatility from membership changes alone.
Read: https://cepr.org/publications/dp20613
Discussion Papers

DP20612 What Makes Depositors Tick? Bank Data Insights into Households' Liquid Asset Allocation

This paper examines how Icelandic households allocate their liquid assets—checking, savings, and brokered funds—that are identical in risk and liquidity but differ in interest rates. Using detailed transaction data from a major bank covering about one-third of the population, the authors find that most households show little sensitivity to interest rate differences, while wealthier households are much more responsive and achieve higher returns. Survey data indicate that financial literacy and understanding of inflation increase responsiveness to interest rates. The study also shows that fluctuations in low-rate deposit shares during business cycles are mainly driven by wealthy households actively reallocating their portfolios. Standard portfolio models can replicate overall holdings but tend to overestimate how sensitive households are to interest rate changes. Why it matters: Understanding the limited responsiveness of most households to interest rate differences highlights the importance of financial literacy and wealth in optimizing liquid asset returns, which has implications for bank funding and monetary policy transmission.
Read: https://cepr.org/publications/dp20612
Discussion Papers

DP20610 Are People Systematically Inactive Across Financial Decisions? Linking Evidence from Mortgage and Retirement Saving Decisions

This paper investigates whether individuals who fail to respond to financial incentives in one domain, such as retirement savings, also tend to be inactive in another, like mortgage refinancing. Using Danish administrative data combined with policy changes affecting pension incentives and mortgage interest rates, the authors analyze behavioral responses across these two major financial decisions. The key finding is that inactivity in one financial decision does not predict inactivity in the other, indicating that people's responsiveness varies by context. This suggests that the economic costs of inaction are broadly distributed rather than concentrated in specific groups. Why it matters: Understanding that financial inactivity is context-dependent can help tailor interventions more effectively rather than targeting presumed consistently inactive individuals.
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Discussion Papers

DP20611 Innovation and the Great Divergence

This paper examines the economic divergence between northwest Europe and China's Yangzi Delta from the 14th century onward, focusing on how innovation influenced GDP per capita trends. Using historical national accounting data, the authors show that northwest Europe experienced sustained positive productivity growth after events like the Black Death, while China's Yangzi Delta saw fluctuating and ultimately declining productivity during the Ming and Qing dynasties. The study highlights that differing innovation trajectories, rather than external shocks alone, drove the long-term divergence in economic performance. This analysis provides a nuanced understanding of the timing and causes behind the Great Divergence in economic history. Why it matters: Understanding how innovation paths shaped historical economic divergence can inform current strategies for fostering sustained productivity growth.
Read: https://cepr.org/publications/dp20611
Discussion Papers

DP20606 The E■ect of Education Policy on Crime: An Intergenerational Perspective

This paper investigates how a major Swedish education reform, implemented between 1949 and 1962, influenced crime rates across generations. Using linked administrative data on education and criminal convictions, the authors find that the reform lowered conviction rates not only for those directly exposed but also for their sons. The crime reduction spans multiple offense types and appears driven by improved parental education, higher household income, and decreased criminal behavior among fathers. This intergenerational analysis highlights education policy as a lever for long-term crime prevention. Why it matters: Enhancing education can reduce crime across generations by improving socioeconomic conditions and parental behavior.
Read: https://cepr.org/publications/dp20606
Discussion Papers

DP20609 Effective Tax Rates, Firm Size and the Global Minimum Tax

This paper examines how effective corporate tax rates vary with firm size using detailed tax return data from 16 countries. It finds that small firms benefit from lower tax rates, large firms exploit tax incentives to reduce their rates, and mid-sized firms face the highest effective tax rates. Notably, over 25% of the largest firms pay effective tax rates below 15%, despite statutory rates being higher, complicating the usual tax haven narrative. The authors estimate that implementing a simple 15% domestic minimum tax on the largest 1% of firms could increase corporate tax revenues by 14% on average, whereas the global minimum tax would generate significantly less revenue due to its design and limited firm coverage. Why it matters: Understanding the nuanced relationship between firm size and tax rates helps policymakers design more effective minimum tax rules to curb tax avoidance and boost revenues.
Read: https://cepr.org/publications/dp20609
Discussion Papers

DP20605 Business Cycles with Pricing Cascades

This paper addresses how sector-specific factors and firm-level pricing decisions contribute to inflation dynamics during business cycles. The authors develop a nonlinear multi-sector equilibrium model incorporating input-output networks and firms' optimal timing and size of price changes, which generates equilibrium pricing cascades triggered by aggregate shocks. Using Euro Area data, the model shows that demand shocks lead to dampened pricing cascades, allowing central banks to

stimulate the economy with limited inflation, while supply shocks amplify cascades, causing rapid repricing and large inflation swings. The framework successfully replicates the recent post-Covid surge in inflation and repricing frequency observed in the Euro Area. Why it matters: Understanding how network effects and pricing cascades interact helps policymakers better anticipate inflation responses to different types of shocks and design more effective interventions.
Read: https://cepr.org/publications/dp20605
Discussion Papers

FEDS Paper: Evaluating Macroeconomic Outcomes Under Asymmetries: Expectations Matter

This paper investigates how different assumptions about household and firm expectations influence macroeconomic outcomes when asymmetries are present in the economy. The authors analyze models with asymmetric monetary policy rules and nonlinear Phillips curves, comparing scenarios where agents have perfect foresight versus rational expectations that incorporate future shocks. Using both analytical derivations and numerical simulations, they find that ignoring the possibility of future shocks can lead to significantly different long-run averages and distributions of unemployment and inflation. The study highlights the importance of expectation formation in shaping the effects of economic asymmetries. Why it matters: Understanding how expectations affect macroeconomic outcomes under asymmetries can improve the design and evaluation of monetary policy.
Read: https://www.federalreserve.gov/econres/feds/evaluating-macroeconomic-outcomes-under-asymmetries-expectations-matter.htm
FRB: Working Papers

FEDS Paper: Pricing Tail Risks: Bank Equity Returns During the 2023 Bank Stress

This paper examines whether bank equity prices anticipated sector vulnerabilities before the 2023 collapse of Silicon Valley Bank (SVB). Using data on bank equity returns, uninsured deposit reliance, marked-to-market leverage, liquidity, and funding structures, the authors find that while markets priced uninsured deposits and leverage separately, they failed to capture the combined risk before SVB’s failure. After SVB’s collapse, banks with weaker liquidity buffers and higher exposure to runnable funding sources experienced disproportionately larger stock price drops, beyond what fundamentals would suggest. The study also uncovers a feedback loop where banks with poor early 2023 returns increased reliance on reciprocal deposits later in the year. Why it matters: Understanding how markets price complex interactions of tail risks can improve risk management and regulatory oversight in banking.
Read: https://www.federalreserve.gov/econres/feds/pricing-tail-risks-bank-equity-returns-during-the-2023-bank-stress.htm
FRB: Working Papers

IFDP Paper: De-Dollarization? Diversification? Exploring Central Bank Gold Purchases and the Dollar’s Role in International Reserves

This paper investigates how central banks have adjusted their holdings of gold and U.S. dollar reserves over recent decades, a period marked by rising gold shares and declining dollar shares in global reserves. Using detailed data on reserve currency compositions and official purchases of U.S. assets,

the study finds that increases in gold reserves generally do not correspond to a broad de-dollarization at the country level, except in a few notable cases. Instead, most countries appear to be modestly diversifying their reserves without aggressively reducing their dollar exposure. The findings hold true for recent gold accumulation trends in 2022 and 2023. While gold's role as a store of value for official reserves has grown, it remains limited as a unit of account or medium of exchange. Why it matters: Understanding that gold purchases reflect cautious diversification rather than a wholesale shift away from the dollar helps clarify the resilience of the dollar's role in international reserves.
Read: https://www.federalreserve.gov/econres/ifdp/exploring-central-bank-gold-purchases-and-the-dollars-role-in-international-reserves.htm
FRB: Working Papers

FEDS Paper: Central bank preparedness for market-functioning asset purchases as a consideration for long-run balance sheet composition

This paper addresses how the Federal Reserve can better prepare to conduct asset purchases aimed at stabilizing Treasury markets during periods of disruption. The authors propose adjusting the Fed's Treasury portfolio by increasing the share of short-term Treasury bills relative to longer maturities, creating a larger monthly reinvestment "war chest" that can be deployed for market-functioning purchases without expanding the overall balance sheet or increasing reserves. Using portfolio simulations and maturity data, they find that raising the bills share to about 40%—double the current proportion—could enhance flexibility while maintaining a neutral portfolio stance. They also analyze the time required to rebuild this war chest after depletion, estimating it would take between 2.5 to 5.5 years, which could constrain the Fed's ability to respond to future market stress without balance sheet growth. Why it matters: This approach offers a practical way for central banks to maintain readiness for market interventions without complicating monetary policy implementation or expanding their balance sheets.
Read: https://www.federalreserve.gov/econres/feds/central-bank-preparedness-for-market-functioning-asset-purchases-as-a-consideration-for-long-run-balance-sheet-composition.htm
FRB: Working Papers

FEDS Paper: Local Estimation for Option Pricing: Improving Forecasts with Market State Information

This paper addresses the challenge of improving option pricing model forecasts by incorporating current market state information without altering the underlying model structure. The authors develop a local M-estimation technique that weights historical data based on similarity to present conditions, using variables like VIX, realized volatility, and time, with bandwidths chosen through validation. Applying this method to standard option pricing frameworks, they demonstrate significantly better out-of-sample predictions of near-term implied volatilities, especially in low-volatility regimes and across various options, as well as improved explanation of future option returns. The approach enhances model adaptability to changing market dynamics while keeping estimation tractable. Why it matters: Incorporating local market state information into option pricing estimation can substantially improve forecast accuracy and risk management in dynamic trading environments.
Read: https://www.federalreserve.gov/econres/feds/local-estimation-for-option-pricing-improving-forecasts-with-market-state-information.htm
FRB: Working Papers

IFDP Paper: Real Exchange Rate and Net Trade Dynamics: Financial and Trade Shocks

This paper investigates what drives the U.S. real exchange rate (RER) and its relationship with net trade (NT) flows across different time horizons. Using a generalized international business cycle model, the authors analyze both high-frequency and low-frequency variations in RER and NT, finding that financial shocks primarily explain short-term fluctuations, while trade shocks drive longer-term trends. The study uses comprehensive macroeconomic data to capture these dynamics and successfully addresses longstanding puzzles about RER behavior. Key results show that incorporating both financial and trade shocks is crucial to understanding the full spectrum of RER and NT movements. Why it matters: This work improves the modeling of exchange rates and trade flows, aiding better forecasting and policy analysis in international finance.
Read: https://www.federalreserve.gov/econres/ifdp/real-exchange-rate-and-net-trade-dynamics-financial-and-trade-shocks.htm
FRB: Working Papers

IFDP Paper: Geopolitical Risk and Global Banking

This paper examines how banks adjust their international lending in response to geopolitical risk, distinguishing this behavior from reactions to other macroeconomic risks. Using U.S. supervisory banking data combined with newly developed geopolitical risk indices, the authors find that banks cut back on cross-border loans to high-risk countries but maintain exposure through their foreign affiliates. Additionally, when geopolitical risk rises abroad, banks tend to reduce domestic lending, particularly if they have foreign affiliates. A theoretical model incorporating expropriation risk explains these patterns, showing that foreign affiliates help banks limit losses and reduce incentives to withdraw from risky markets, which in turn causes negative effects on domestic lending. Why it matters: Understanding banks' nuanced responses to geopolitical risk helps practitioners anticipate shifts in international credit flows and domestic lending during geopolitical tensions.
Read: https://www.federalreserve.gov/econres/ifdp/geopolitical-risk-and-global-banking.htm
FRB: Working Papers

FEDS Paper: When Tails Are Heavy: The Benefits of Variance-Targeted, Non-Gaussian, Quasi-Maximum Likelihood Estimation of GARCH Models

This paper addresses the challenge of estimating GARCH models when financial return data exhibit heavy tails, which can undermine standard Gaussian-based methods. The author develops a variance-targeted, non-Gaussian quasi-maximum likelihood estimator (VTNGQMLE) that remains robust despite misspecification of the return distribution and heavy-tailed behavior. Using both simulations and empirical data—specifically option-implied volatility of the S&P; 500 (VIX)—the method outperforms traditional QMLE and other alternatives in estimating volatility dynamics. The approach also enables improved forecasting of volatility-of-volatility (VVIX), linking historical and risk-neutral measures. Why it matters: VTNGQMLE provides more reliable volatility estimates and forecasts in markets characterized by heavy-tailed risks, enhancing risk management and derivative pricing.
Read: https://www.federalreserve.gov/econres/feds/when-tails-are-heavy-the-benefits-of-variance-targeted-non-gaussian-quasi-maximum-likelihood-estimation-of-garch-models.htm
FRB: Working Papers

IFDP Paper: Why are Manufacturing Plants Smaller in Developing Countries? Theory and Evidence from India

This paper investigates why manufacturing plants tend to be smaller in poorer regions, focusing on India as a case study. The authors analyze data showing that wealthier households purchase higher-priced goods, which are typically produced by larger plants, while poorer households demand lower-priced, lower-quality goods efficiently made by smaller plants. They develop a theoretical model linking consumer demand for product quality to plant size, which aligns well with observed data. Their model accounts for about 40% of the variation in plant size distribution across Indian states. Why it matters: Understanding the link between consumer demand and plant size helps explain industrial structure differences in developing economies, informing policies to support manufacturing growth.
Read: https://www.federalreserve.gov/econres/ifdp/why-are-manufacturing-plants-smaller-in-developing-countries-theory-and-evidence-from-india.htm
FRB: Working Papers

IFDP Paper: Explaining World Savings

This paper addresses why saving rates vary significantly and persistently across countries. The authors develop a model of a global economy with open markets and agents who have recursive preferences that make them more impatient as their consumption grows relative to a reference group. Using only measured productivity differences as an external input, the model successfully replicates both the long-term cross-country differences in average saving rates and the observed time series patterns of savings. The data used includes international saving rates and productivity measures. Why it matters: Understanding the drivers of persistent saving rate differences helps improve global economic policy and forecasting.
Read: https://www.federalreserve.gov/econres/ifdp/explaining-world-savings.htm
FRB: Working Papers

FEDS Paper: Monetary Policy, Uncertainty, and Communications

This paper addresses how central banks can design and communicate monetary policy strategies that explicitly incorporate risks and uncertainty. The authors propose a risk management framework where policymakers weigh asymmetric risks to the economic outlook when setting interest rates, rather than relying solely on baseline forecasts. They analyze both simple interest rate rules and optimal control policies that integrate risk considerations, using alternative economic scenarios to illustrate potential policy responses under different risk realizations. The study emphasizes the challenges and trade-offs involved in using scenario analysis for policy communication and decision-making. Why it matters: Incorporating risk management into monetary policy helps central banks better navigate uncertainty and improve communication, potentially leading to more resilient economic outcomes.
Read:
https://www.federalreserve.gov/econres/feds/monetary-policy-uncertainty-and-communications.htm
FRB: Working Papers

FEDS Paper: Accounting for Uncertainty and Risks in Monetary Policy

This paper addresses how central banks can better measure, assess, and communicate uncertainty and risks that influence monetary policy decisions. The authors develop a framework categorizing different types of uncertainty related to economic conditions and expectations, and review a variety of

quantitative and qualitative tools used to evaluate these risks. They analyze current practices across major central banks, noting that while qualitative communication remains dominant, the use of quantitative methods like scenario analysis is growing but lacks standardized best practices. The study draws on policy documents, speeches, and existing analytical techniques to highlight gaps and opportunities in risk communication. Why it matters: Improving how uncertainty and risks are accounted for and communicated can enhance transparency and effectiveness in monetary policy decision-making.
Read: https://www.federalreserve.gov/econres/feds/accounting-for-uncertainty-and-risks-in-monetary-policy.htm
FRB: Working Papers

FEDS Paper: Implications of Inflation Dynamics for Monetary Policy Strategies

This paper examines how monetary policy can best respond under varying inflation dynamics, especially when facing low demand and low inflation or when there is a tradeoff between stabilizing inflation and output. Using quantitative analysis, the authors find that asymmetric average inflation targeting offers modest improvements over traditional strategies when the effective lower bound on interest rates is a concern. They also explore optimal policy responses during periods of persistent supply shocks and rapid inflation increases, suggesting that allowing inflation to temporarily deviate from target may be appropriate in some cases, but aggressive and timely action is crucial when inflation shocks are large or inflation expectations risk becoming unanchored. The study draws on recent economic episodes and models to highlight these nuanced policy implications. Why it matters: It provides guidance on designing flexible yet robust monetary policies that can better navigate complex inflation dynamics and economic tradeoffs.
Read: https://www.federalreserve.gov/econres/feds/implications-of-inflation-dynamics-for-monetary-policy-strategies.htm
FRB: Working Papers

FEDS Paper: Pandemic and War Inflation: Lessons from the International Experience

This paper investigates the causes of the 2020–23 global inflation surge, focusing on cross-country similarities and differences and the influence of monetary policy frameworks on central bank responses. Using international data, the authors identify pandemic-related supply chain disruptions, shifts in consumer spending toward goods, and commodity price spikes due to the Ukraine war as primary drivers of inflation, characterized mainly by cost-push factors. They apply a Phillips curve framework to show that tight labor markets prolonged inflation above target levels. Despite varying mandates, central banks worldwide adopted broadly similar policy responses to these shocks. Why it matters: Understanding these common inflation drivers and policy reactions helps practitioners anticipate central bank behavior and inflation dynamics during global crises.
Read: https://www.federalreserve.gov/econres/feds/pandemic-and-war-inflation-lessons-from-the-international-experience.htm
FRB: Working Papers

FEDS Paper: Inflation since the Pandemic: Lessons and Challenges

This paper analyzes the causes behind the sharp rise and subsequent decline of U.S. inflation following the pandemic, focusing on supply-demand imbalances and inflation expectations. Using data on

inflation rates and expectations from households, firms, and markets, the authors find that short-term inflation expectations rose with actual inflation, potentially prolonging inflation through wage and price adjustments. However, longer-term inflation expectations remained stable, which helped prevent a more severe or persistent inflation surge. The easing of supply-demand mismatches combined with anchored long-term expectations allowed inflation to recede without triggering significant unemployment increases. Why it matters: Understanding the role of inflation expectations and supply-demand dynamics is crucial for designing policies that manage inflation without harming employment.
Read: https://www.federalreserve.gov/econres/feds/inflation-since-the-pandemic-lessons-and-challenges.htm
FRB: Working Papers

FEDS Paper: Retrospective on the Federal Reserve Board Staff's Inflation Forecast Errors since 2019

This paper reviews the Federal Reserve Board staff's inflation forecast errors from 2019 onward, particularly during the post-COVID economic reopening. The staff initially underestimated both how large and persistent inflation would be, prompting them to revise forecasting methods by incorporating new data sources to better assess supply-demand imbalances in product and labor markets. The analysis highlights the challenge posed by the lack of comparable historical inflation episodes, which limited the ability to quantitatively model the surge. Over time, these methodological innovations improved inflation understanding and forecasting accuracy, though uncertainty remains about the exact drivers of pandemic-era inflation and how broadly these lessons apply. Why it matters: It underscores the importance of adaptive forecasting approaches and new data integration in managing unprecedented economic shocks.
Read: https://www.federalreserve.gov/econres/feds/retrospective-on-the-federal-reserve-board-staffs-inflation-forecast-errors-since-2019.htm
FRB: Finance and Economics Discussion Series Working Papers

FEDS Paper: Labor Market Dynamics, Monetary Policy Tradeoffs, and a Shortfalls Approach to Pursuing Maximum Employment

This paper examines the effects of using a "shortfalls" approach—focusing on underperformance in employment rather than deviations from a target—to guide monetary policy aimed at maximum employment. Using model-based simulations from recent academic research, the authors find that shortfalls-based rules tend to create upward inflationary pressure compared to traditional deviation-based rules, partly offsetting deflationary effects from the effective lower bound on interest rates. Despite this inflation pressure, monetary policy responses limit changes in average labor market outcomes. Additionally, stronger policy actions against inflation deviations can keep long-term inflation expectations stable even under a shortfalls framework. Why it matters: This analysis helps central banks understand tradeoffs in employment-focused policy strategies, balancing inflation risks while striving for maximum employment.
Read: https://www.federalreserve.gov/econres/feds/labor-market-dynamics-monetary-policy-tradeoffs-and-a-shortfalls-approach-to-pursuing-maximum-employment.htm
FRB: Finance and Economics Discussion Series Working Papers

FEDS Paper: Assessing Maximum Employment

This paper addresses how to best assess the labor market's position relative to maximum employment, a key goal of monetary policy. The authors propose a core set of indicators, emphasizing the unemployment rate as the primary measure due to its reliability and correlation with other metrics. They supplement this with analyses of job vacancies and unemployment via the Beveridge curve, employment-to-population ratios, wage growth, and worker flows to capture different labor market dynamics, especially during structural shocks or tight conditions. The study uses historical data from the Global Financial Crisis and the COVID-19 pandemic to evaluate the strengths and limitations of these indicators. Why it matters: Combining multiple labor market indicators provides a more nuanced and accurate assessment of employment conditions, improving policy decisions.
Read: https://www.federalreserve.gov/econres/feds/assessing-maximum-employment.htm
FRB: Finance and Economics Discussion Series Working Papers

FEDS Paper: Reviews of Foreign Central Banks’ Monetary Policy Frameworks: Approaches, Issues, and Outcomes

This paper analyzes how major advanced foreign central banks have conducted periodic reviews of their monetary policy frameworks since 2019–20, paralleling the Federal Reserve’s own review process. The authors examine motivations behind these reviews, such as adapting inflation targets and clarifying the balance between price stability and employment goals. They find that these reviews often emphasize the need for flexible policy approaches and generally support the continued use of existing monetary tools, while also identifying communication improvements. The study draws on documented experiences and outcomes from multiple foreign central banks’ framework assessments. Why it matters: Understanding how peer central banks adapt their policy frameworks can inform more effective and transparent monetary policy decisions in the U.S. and beyond.
Read: https://www.federalreserve.gov/econres/feds/reviews-of-foreign-central-banks-monetary-policy-frameworks-approaches-issues-and-outcomes.htm
FRB: Finance and Economics Discussion Series Working Papers

FEDS Paper: The Origins, Structure, and Results of the Federal Reserve’s 2019–20 Review of Its Monetary Policy Framework

This paper outlines the Federal Reserve’s comprehensive review of its monetary policy framework conducted during 2019–20. The review was motivated by evolving economic conditions and aimed to assess and potentially update the Fed’s approach to achieving its dual mandate of maximum employment and price stability. The process involved public engagement events, a major research conference, extensive staff analyses, and Federal Open Market Committee discussions. Key outcomes included revisions to the Fed’s Statement on Longer Run Goals and Monetary Policy Strategy, reflecting a shift toward a more flexible average inflation targeting approach. Why it matters: The updated framework guides how the Fed balances employment and inflation, influencing interest rate decisions and financial market expectations.
Read: https://www.federalreserve.gov/econres/feds/the-origins-structure-and-results-of-the-federal-reserves-2019-20-review-of-its-monetary-policy-framework.htm
FRB: Finance and Economics Discussion Series Working Papers

IFDP Paper: Expanding the Labor Market Lens: Two New Eurozone Labor Indicators

This paper addresses the challenge of accurately assessing euro area labor market conditions by developing two new composite indicators derived from 22 different labor market metrics using principal component analysis. These indicators capture both the current state and the forward-looking outlook of the labor market, outperforming existing measures in forecasting inflation and unemployment dynamics. Using local projection methods, the authors find that when the forward-looking labor indicator is high, the European Central Bank's monetary policy shocks have weaker effects on inflation and unemployment, suggesting that standard policy rules may underestimate the need for tighter interest rates. The study also highlights that relying solely on the official unemployment rate can mask true labor market slack and misrepresent the inflation-unemployment trade-off. Why it matters: These enhanced labor market indicators offer policymakers a more nuanced tool for setting monetary policy, potentially leading to more effective inflation control in the eurozone.
Read: https://www.federalreserve.gov/econres/ifdp/expanding-the-labor-market-lens-two-new-eurozone-labor-indicators.htm
FRB: International Finance Discussion Papers

IFDP Paper: Food, Fuel, and Facts: Distributional Effects of Global Price Shocks

This paper examines how global shocks to food and oil prices differently impact consumption across income groups in India, using monthly consumption and income data combined with an instrumental variable approach to isolate global demand effects. The authors find that food price increases disproportionately reduce consumption among lower-income households, while oil price hikes affect both the poorest and richest similarly. These consumption changes align with wage income adjustments, highlighting the role of income effects. The study also shows that food is a necessary good for all income levels, as people spend relatively more on food even when its price rises, reflecting non-homothetic demand patterns. By decomposing consumption responses, the paper clarifies how wage changes, price shifts, and demand preferences drive the observed distributional impacts. Why it matters: Understanding these differential effects helps policymakers design targeted interventions to protect vulnerable populations from global price shocks.
Read: https://www.federalreserve.gov/econres/ifdp/food-fuel-and-facts-distributional-effects-of-global-price-shocks.htm
FRB: International Finance Discussion Papers

IFDP Paper: Breaking Up: Fragmentation in Foreign Direct Investment

This paper examines how geopolitical tensions and supply chain risks are causing foreign direct investment (FDI) to fragment along ideological and geographic lines. Using data on financial transactions, capital expenditures, and cross-border mergers and acquisitions, the study identifies five key trends: ideological sorting, friendshoring, derisking, nearshoring, and reshoring. The findings show that firms are increasingly shifting investment away from politically distant countries, prioritizing aligned partners, reducing exposure to high-risk nations, and relocating production closer to home. These patterns vary by investment type and industry, with friendshoring and nearshoring concentrated mainly in goods-producing sectors. Why it matters: Understanding these fragmentation trends helps practitioners anticipate shifts in global investment flows and adjust risk management and supply chain strategies accordingly.
Read: https://www.federalreserve.gov/econres/ifdp/breaking-up-fragmentation-in-foreign-direct-investment.htm
FRB: International Finance Discussion Papers

IFDP Paper: What Determines Household Expectations?

This paper investigates which macroeconomic news most influences household expectations, focusing on inflation and unemployment shocks. Using daily data on economic announcements, the authors construct surprise measures under assumptions of household sophistication or naivety to identify which shocks prompt expectation revisions. The key finding is that labor market news, particularly unemployment shocks, has a stronger impact on both general economic sentiment and inflation expectations than inflation news itself. Even when inflation rises and unemployment falls, households tend to react more to changes in unemployment. This suggests that unemployment developments are the primary driver behind shifts in household inflation expectations, especially during adverse supply and demand shocks. Why it matters: Understanding that unemployment news dominates household expectations can improve the design and communication of economic policy to better manage public sentiment and inflation expectations.
Read: https://www.federalreserve.gov/econres/ifdp/what-determines-household-expectations.htm
FRB: International Finance Discussion Papers

IFDP Paper: Trade Costs and Inflation Dynamics

This paper examines how shocks to trade costs affect inflation dynamics by analyzing detailed global input-output data and bilateral trade flows within a gravity model framework. The authors find that increases in trade costs for final goods lead to sharp but short-lived spikes in consumer price inflation, whereas higher costs for intermediate inputs cause more persistent inflationary pressures. They develop a multi-country inflation model incorporating trade in both final and intermediate goods, which successfully replicates these empirical patterns and highlights how trade cost shocks propagate through global value chains, complicating monetary policy decisions. The model is applied to quantify the inflationary impact of trade costs during the 2018–2019 U.S.-China trade war and the post-pandemic inflation surge, using novel U.S. domestic sourcing data and Bayesian estimation techniques. Why it matters: Understanding how trade cost shocks transmit through global supply chains helps policymakers better anticipate inflation dynamics and design more effective monetary responses.
Read: https://www.federalreserve.gov/econres/ifdp/trade-costs-and-inflation-dynamics.htm
FRB: International Finance Discussion Papers

IFDP Paper: Transformative and Subsistence Entrepreneurs: Origins and Impacts on Economic Growth

This paper investigates how different types of entrepreneurs—transformative versus subsistence—impact economic growth, using detailed microdata from Denmark. The authors find that transformative entrepreneurs, who tend to have higher IQs and education levels, play a key role in driving innovation and R&D;, creating valuable opportunities for inventors. In contrast, subsistence entrepreneurs are more influenced by family background and less by cognitive ability. The study highlights how unequal access to higher education leads to talent misallocation, limiting the pool of transformative entrepreneurs and thus slowing economic progress. The authors suggest that policies enhancing education and the link between innovation and entrepreneurship can better foster transformative businesses and long-term growth. Why it matters: Understanding and supporting the education and development of transformative entrepreneurs is crucial for unlocking innovation-driven economic growth.
Read: https://www.federalreserve.gov/econres/ifdp/transformative-and-subsistence-entrepreneurs-origins-and-impacts-on-economic-growth.htm
FRB: International Finance Discussion Papers

IFDP Paper: Corporate Debt Maturity and Business Cycle Fluctuations

This paper addresses how the maturity structure of corporate debt influences business cycle fluctuations, emphasizing the role of long-term debt in firm financing. The authors develop a macroeconomic model incorporating defaultable long-term debt and costly equity issuance, showing that firms strategically increase leverage to dilute existing debt value, which cushions net worth declines and investment drops during financial shocks. They estimate equity issuance costs using firm-level data and embed these estimates into a medium-scale DSGE model. The key finding is that credit supply shocks, when accounting for debt maturity and equity costs, emerge as the main drivers of business cycle dynamics. Why it matters: Understanding debt maturity and equity issuance costs is essential for accurately assessing the impact of credit conditions on economic fluctuations and firm investment behavior.
Read: https://www.federalreserve.gov/econres/ifdp/corporate-debt-maturity-and-business-cycle-fluctuations.htm
FRB: International Finance Discussion Papers

IFDP Paper: Measuring Geopolitical Fragmentation: Implications for Trade, Financial Flows, and Economic Policy

This paper examines how geopolitical fragmentation—measured through variations in United Nations voting patterns—affects international trade, financial flows, and economic policies. The authors analyze bilateral trade data, portfolio investment records, and economic policy interventions, focusing on changes following Russia's 2022 invasion of Ukraine. They find that geopolitical distance increasingly disrupts trade and policy coordination, especially in key sectors, while financial portfolio responses are more mixed and context-dependent. The study also highlights how different methodological choices in measuring geopolitical distance can significantly influence results. Why it matters: Understanding the nuanced economic impacts of geopolitical fragmentation helps practitioners better anticipate risks and adjust strategies in global trade and investment.
Read: https://www.federalreserve.gov/econres/ifdp/measuring-geopolitical-fragmentation-implications-for-trade-financial-flows-and-economic-policy.htm
FRB: International Finance Discussion Papers

IFDP Paper: Measuring Shortages since 1900

This paper develops a new monthly shortage index from 25 million newspaper articles dating back to 1900, capturing shortages in industry, labor, food, and energy. The index spikes during major economic crises and wars, providing unique information beyond standard macroeconomic indicators. Using predictive regressions and a structural VAR model, the authors find that shortages are linked to prolonged high inflation and reduced economic activity, with shortages constraining price adjustments and amplifying output declines. The study also highlights that recent post-pandemic shortages and inflation were mainly driven by supply-side factors rather than demand. Why it matters: This shortage index offers a novel, long-term measure of supply constraints that can improve forecasting and policy responses to inflation and economic downturns.
Read: https://www.federalreserve.gov/econres/ifdp/measuring-shortages-since-1900.htm
FRB: International Finance Discussion Papers

IFDP Paper: Related Exposures to Distressed Borrowers and Bank Lending(Revised)

This paper investigates how banks' lending behavior changes when they have significant exposure to a group of related borrowers who suddenly face distress, focusing on the 2014 energy price collapse in Mexico. Using detailed Mexican credit registry data, the authors find that banks heavily exposed to the energy sector respond to the shock by increasing lending to energy firms on looser terms despite higher risks, while simultaneously recapitalizing through retained earnings. However, this increased risk-taking in the energy sector leads to a reduction in lending to non-energy firms, particularly those reliant on bank credit, effectively transmitting the shock across the broader economy. The study highlights the dual role of banks as both shock absorbers and shock transmitters in times of sector-specific distress. Why it matters: Understanding banks' lending responses to sectoral shocks helps practitioners anticipate credit risk spillovers and manage portfolio concentration during economic downturns.

Read: https://www.federalreserve.gov/econres/ifdp/credit-concentration-in-bad-times.htm

FRB: International Finance Discussion Papers

Cumulative Risks of Foster Care Placement for U.S. Children: Comparing Birth Cohort and Synthetic Cohort Approaches -- by Joseph J. Doyle Jr., Natalia Emanuel, Raimundo Eyzaguirre

This paper examines the lifetime risk of foster care placement among U.S. children by comparing traditional synthetic cohort methods with a birth cohort approach that tracks children born between 2000-2002 through age 18. Using detailed administrative data, the authors find that 5% of children experienced foster care placement, with significantly higher rates for Black (10%) and Native American (12%) children, and notable variation across states. The synthetic cohort method tends to overestimate risk by about 17% due to assumptions about stable placement rates, especially during teenage years. Extending synthetic cohort estimates through 2019 reveals stable placement rates by sex but shifts in reasons for placement and types of foster care arrangements. Why it matters: Accurate measurement of foster care risk is crucial for policymakers and practitioners to target interventions effectively and address racial disparities in child welfare.

Read: https://www.nber.org/papers/w34069#fromrss

National Bureau of Economic Research Working Papers

Serial Acquisitions in Tech -- by Ginger Zhe Jin, Mario Leccese, Liad Wagman, Yunfei Wang

This paper studies serial acquisitions—multiple consecutive tech company purchases by the same acquirer—in the technology sector from 2010 to 2023. Using detailed industry data, the authors find that serial acquisitions make up about a quarter to a third of majority-control tech M&A; deals, with public firms responsible for over half. Follow-on acquisitions tend to be larger and older targets, and starting a series correlates with higher market and innovation value for public acquirers, though it doesn't significantly affect market competition. The study also highlights regulatory implications: many serial deals individually fall below U.S. antitrust reporting thresholds but collectively could trigger earlier review, potentially improving oversight in markets with long acquisition chains. Major tech firms like Google, Amazon, and Microsoft engage in serial acquisitions more frequently, but similar patterns appear among other large acquirers as well. Why it matters: Understanding serial acquisitions helps practitioners anticipate regulatory scrutiny and strategic growth patterns in tech M&A;, especially for firms pursuing multiple related deals over time.

Read: https://www.nber.org/papers/w34178#fromrss
National Bureau of Economic Research Working Papers

The Effects of Parental Income and Family Structure on Intergenerational Mobility: A Trajectories-Based Approach -- by Yoosoon Chang, Steven N. Durlauf, Bo Hu, Joon Park

This paper investigates how the timing of parental income and family structure during childhood and adolescence influences adult income, focusing on when these effects are most impactful. The authors use an advanced ordered multinomial probability model with functional covariates to analyze income and family structure trajectories, applying nonparametric methods to control for a wide range of personal and family characteristics. Their analysis reveals that the strongest effects occur during middle childhood and adolescence, with income and family structure trajectories interacting complementarily during these periods. The study uses longitudinal data capturing family income and structure over time to assess their joint impact on adult economic outcomes. Why it matters: Understanding the critical developmental windows when family conditions most affect economic mobility can inform targeted policies to improve long-term income outcomes.
Read: https://www.nber.org/papers/w34179#fromrss
National Bureau of Economic Research Working Papers

Labor and Product Market Power, Endogenous Quality, and the Consolidation of the US Hospital Industry -- by Bradley Setzler

This paper addresses the combined effects of hospital mergers on both product and labor markets, highlighting how firms exercising market power in both areas amplify harm to consumers and workers. Using a structural model and panel data on nearly 150 hospital mergers in the US from 1996 to 2022, the study finds that consolidation leads to higher prices, reduced patient volume, lower employment and wages, and worse quality of care, including increased patient mortality. The model is validated by replicating observed outcomes and shows that ignoring labor or product market concentration underestimates the negative impacts of mergers. Counterfactual analyses confirm that joint market power exacerbates harm beyond what is predicted by examining either market alone. Why it matters: Understanding the dual impact of mergers on labor and product markets is crucial for accurately assessing their full harm and informing more effective antitrust policies.
Read: https://www.nber.org/papers/w34180#fromrss
National Bureau of Economic Research Working Papers

Openness and Growth: A Comparison of the Experiences of China and Mexico -- by Timothy J. Kehoe, Xing Xu

This paper compares the economic outcomes of China and Mexico following their trade and investment liberalizations in the late 20th century. Using structural transformation data, the authors show that China opened its economy during a rapid shift of labor from agriculture to manufacturing, fueling strong growth, while Mexico liberalized after this transition had largely stalled. China also advanced by upgrading the quality and technology content of its exports, whereas Mexico remained reliant on a narrow set of products primarily for North American markets. As a result, China has experienced spectacular growth and is closing the GDP per working-age person gap with Mexico, which has seen only modest growth. Why it matters: Timing and the ability to upgrade export sophistication are critical factors in leveraging openness for sustained economic growth.

Read: https://www.nber.org/papers/w34181#fromrss
National Bureau of Economic Research Working Papers

Local Problems, Local Solutions: Evidence from the Drug-Free Communities Program on Youth Development -- by Shijun You, Wei Fu, Shin-Yi Chou

This paper evaluates the Drug-Free Communities (DFC) Support Program, which targets youth substance use by promoting local collaboration and tailored interventions. Using advanced difference-in-differences methods on U.S. community data, the authors find that the program significantly lowers drug-related juvenile crime and boosts academic outcomes, especially when government agencies are involved in local coalitions. They also identify behavioral improvements, such as reduced marijuana use and fewer opioid hospitalizations. A cost-benefit analysis shows that the program yields substantial welfare gains, highlighting its cost-effectiveness as a public health investment. Why it matters: It demonstrates that locally coordinated, multi-sector prevention programs can effectively improve youth outcomes and reduce substance-related harms at a reasonable cost.
Read: https://www.nber.org/papers/w34182#fromrss
National Bureau of Economic Research Working Papers

Productivity and Wedges: Economic Convergence and the Real Exchange Rate -- by Michael B. Devereux, Ippei Fujiwara, Camilo Granados

This paper investigates why Eastern European countries experienced strong GDP per capita convergence with the EU since the 1990s, yet their real exchange rates stopped converging after the EU crisis. The authors use a structural two-country economic model incorporating productivity growth and labor market distortions (wedges) to explain real exchange rate behavior. They calibrate the model with sector-level productivity data and labor market measures, showing it replicates the historical real exchange rate patterns before and after the crisis. The key finding is that both productivity improvements and labor market inefficiencies jointly drive real exchange rate dynamics and stalled convergence. Why it matters: Understanding these drivers helps policymakers target reforms to restore real exchange rate convergence and support economic integration.
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National Bureau of Economic Research Working Papers

Equality Before the Law in U.S. Civil War Courts-Martial -- by Dora Costa, Ziqi Zhao

This paper investigates racial disparities in acquittal rates and sentencing between Black and White soldiers during the US Civil War by analyzing all general courts-martial records. The authors find that Black soldiers faced harsher punishments particularly for group-related offenses such as mutiny and violent group crimes, indicating concerns about large-scale rebellion influenced judicial outcomes. Despite these disparities, the military justice system showed relatively fair treatment compared to many modern criminal courts, especially regarding acquittals and death sentences. The study suggests that the operational needs of the Army promoted a degree of fairness in military trials during this period. Why it matters: Understanding historical military justice fairness provides insights into how institutional pressures can shape equitable treatment under the law even amid systemic biases.

Read: https://www.nber.org/papers/w34184#fromrss
National Bureau of Economic Research Working Papers

The Medium Matters: Medical Decision-Making in Telemedicine versus In-person Care -- by Alexandra Steiny Wellsjo, Paul Gertler, Ada Kwan, Eric Remera, Piero Irakiza, Jeanine Condo, James Humuza

This paper investigates how telemedicine affects medical decision-making compared to in-person visits by analyzing standardized patient cases for malaria and upper respiratory infections in Rwanda. Using 2,532 audit visits, the authors find that telemedicine delivers equal or better quality care, with providers asking more thorough questions and prescribing fewer unnecessary medications. Telemedicine consultations were also faster, had shorter wait times, and cost patients less. The study suggests that improved provider-patient communication and reduced social pressure during phone visits drive these differences, as providers are less likely to yield to patient demands for unnecessary antibiotics remotely. Why it matters: Telemedicine can enhance care quality and efficiency by changing provider behavior and communication dynamics, offering a scalable way to improve health outcomes and reduce costs.
Read: https://www.nber.org/papers/w34185#fromrss
National Bureau of Economic Research Working Papers

Union Bargaining Power and the Amenity-Wage Tradeoff -- by Lorenzo Lagos

This paper examines how union collective bargaining influences both wages and workplace amenities by linking detailed collective bargaining agreements to employer-employee data from Brazil. Using a difference-in-differences approach based on a court ruling that enforced continuation of CBAs, the study isolates the impact of increased union bargaining power. The key finding is that stronger unions raise both wages and amenities without reducing employment, with amenities making up nearly half of the total compensation increase. This suggests unions can counteract employer monopsony power while employers still control workforce composition. Why it matters: Understanding the full value of union negotiations—including non-wage benefits—helps firms and policymakers better assess labor costs and worker welfare.
Read: https://www.nber.org/papers/w34186#fromrss
National Bureau of Economic Research Working Papers

Endogenous Firm Ownership in General Equilibrium -- by Joshua S. Gans

This paper addresses how firm ownership structures arise naturally within a competitive general equilibrium framework, rather than being imposed externally. The author develops a model integrating property rights theory with general equilibrium to show that firms are initially formed by managers whose ongoing role is crucial to firm performance, but who subsequently sell ownership stakes to outside investors. Using theoretical analysis, the model explains the common pattern where entrepreneurs exit ownership while remaining involved operationally, highlighting the dual value managers capture from both ownership sale and employment. The key result is a unified explanation for entrepreneurial exit and ownership trading that aligns with observed market behavior and offers a

clear economic definition of entrepreneurship based on human capital relevance beyond ownership. Why it matters: This framework provides practitioners with a deeper understanding of firm formation and ownership transitions, informing strategies around entrepreneurial exit, investor relations, and human capital management.
Read: https://www.nber.org/papers/w34187#fromrss
National Bureau of Economic Research Working Papers

Minimum Wages and the Distribution of Firm Wage Premia -- by Marcelo L. Bergolo, Rodrigo Ceni, Mathias Fondo, Damián Vergara

This paper examines how a large minimum wage increase in Uruguay affected the variation in wage premiums paid by firms. Using detailed employer-employee data and advanced variance decomposition methods, the authors find that wage inequality fell mainly because differences in firm wage premiums narrowed, driven by low-paying firms raising their wages. Both firm- and worker-level analyses confirm that the minimum wage reform causally compressed the distribution of firm wage premia. The key insight is that minimum wages not only push workers toward better-paying firms but also improve wages at lower-paying firms, effectively upgrading "bad jobs." Why it matters: Minimum wage policies can reduce wage inequality by elevating wages at lower-paying firms, thereby improving overall job quality across the labor market.
Read: https://www.nber.org/papers/w34188#fromrss
National Bureau of Economic Research Working Papers

The Future of Foreign Trade -- by Elhanan Helpman

This paper examines the impact of foreign trade on global living standards, inequality, and poverty reduction since the mid-1990s, highlighting the role of the post-World War II rules-based international order in supporting these gains. Using historical and economic analysis, it discusses how escalating trade wars threaten to reverse these benefits by causing economic harm to both developed and low-income countries and increasing geopolitical tensions. The key result is a warning that current trade conflicts could undermine decades of progress in global economic development and stability. Why it matters: Understanding the risks of trade wars is crucial for policymakers aiming to sustain global economic growth and reduce poverty.
Read: https://www.nber.org/papers/w34189#fromrss
National Bureau of Economic Research Working Papers

Good Rents versus Bad Rents: R&D; Misallocation and Growth -- by Philippe Aghion, Antonin Bergeaud, Timo Boppart, Peter J. Klenow, Huiyu Li

This paper addresses how firm markups relate to innovation and growth, distinguishing between "good rents" from quality-improving innovations that generate knowledge spillovers and "bad rents" from process efficiency gains without such spillovers. The authors develop an endogenous growth model separating these two sources of markup heterogeneity and argue that reallocating R&D; towards firms with larger innovation step sizes can enhance overall growth. Using firm-level price and productivity data from French manufacturing, they estimate which firms have higher innovation step sizes versus process efficiencies. Their key finding is that social welfare improves when research is shifted toward high step size innovators, especially if these firms can license their innovations to more efficient firms. Why it matters: Targeting R&D; investment toward firms driving substantial innovation spillovers can

accelerate economic growth more effectively than focusing on process efficiency improvements alone.
Read: https://www.nber.org/papers/w34190#fromrss
National Bureau of Economic Research Working Papers

Navigating Medicaid: Experimental Evidence on Administrative Burden and Coverage Loss -- by Rebecca Mary Myerson, Allison Espeseth, Laura Dague

This paper investigates how administrative burdens during Medicaid renewal contribute to eligible individuals losing coverage. Using a large-scale field experiment, the authors randomized outreach calls offering personalized assistance to simplify the renewal process without changing eligibility criteria. The intervention modestly increased renewal rates by 1 percentage point overall, with larger gains among tribal members, children, lower-income individuals, and those with chronic diseases. The study highlights that many eligible people lose coverage due to difficulties navigating administrative requirements rather than ineligibility. Why it matters: Reducing administrative hurdles can improve Medicaid retention among vulnerable populations without compromising program integrity.
Read: https://www.nber.org/papers/w34191#fromrss
National Bureau of Economic Research Working Papers

The False Dichotomy: Why the Active vs. Passive Fund Debate Misses the Point

This paper addresses the common debate between active and passive investment strategies, highlighting that the discussion is flawed due to the lack of a clear, universally accepted definition of what "passive" investing truly means. The author critiques the oversimplification of categorizing funds strictly as active or passive, arguing that many so-called passive strategies involve active decision-making elements. Using qualitative analysis of investment approaches and industry practices, the paper demonstrates that the binary classification misses important nuances in fund management. The key takeaway is that investors and practitioners should move beyond the active vs. passive dichotomy and instead focus on the specific characteristics and costs of investment strategies. Why it matters: Understanding the complexity behind fund classifications helps investors make more informed decisions rather than relying on oversimplified labels.
Read: https://alphaarchitect.com/active-vs-passive-fund-debate/
Alpha Architect

Designing Risk Scenarios

This paper challenges the traditional approach to financial stress testing, which often treats it as a binary pass/fail exercise. Instead, it proposes viewing stress tests as tools for gathering richer information about potential risks and vulnerabilities in financial institutions. The authors discuss how regulators can design more informative risk scenarios that better capture the range of possible adverse outcomes. By focusing on scenario design rather than simple compliance, stress tests can provide deeper insights into systemic risk. Why it matters: This approach can improve regulatory oversight by turning stress tests into a more effective tool for understanding and managing financial risks.
Read: https://alphaarchitect.com/stress-tests/
Alpha Architect

How Buffer ETFs Promise to Protect You (and Why They Can't Do It All)

This paper examines the rise of Buffer ETFs, which have quickly gained popularity as a tool designed to limit downside risk while allowing for some upside participation. The authors analyze how these ETFs use options strategies to provide a "buffer" against losses up to a certain threshold, effectively offering partial protection in volatile markets. Using historical market data and performance analysis, the study highlights that while Buffer ETFs can reduce losses during downturns, they also come with trade-offs such as capped gains, complexity, and potential risks that investors may not fully appreciate. The key takeaway is that Buffer ETFs are not a one-size-fits-all solution and should be understood as part of a broader risk management strategy rather than a complete safeguard. Why it matters: Buffer ETFs offer a useful risk mitigation tool but require careful consideration of their limitations and trade-offs before inclusion in an investment portfolio.
Read: https://alphaarchitect.com/how-buffer-etfs-promise-to-protect-you-and-why-they-cant-do-it-all/
Alpha Architect

Regulatory fragmentation drags down efficiency.

This paper examines how overlapping regulatory mandates among agencies lead to inefficiencies in financial oversight. Using qualitative analysis of regulatory structures and their interactions, it highlights how fragmentation causes confusion, redundancy, and inconsistent enforcement. The key finding is that instead of improving oversight, regulatory fragmentation hampers efficiency and complicates compliance for market participants. This inefficiency can increase costs and reduce the effectiveness of financial regulation. Why it matters: Streamlining regulatory oversight could lower compliance costs and improve market functioning by reducing unnecessary complexity.
Read: https://alphaarchitect.com/regulatory-fragmentation-drags-down-efficiency/
Alpha Architect

Unlocking REIT Returns: Real Estate Investment Factors

This paper addresses the challenge of explaining and predicting returns in Real Estate Investment Trusts (REITs) by identifying six REIT-specific factors: size, value, momentum, earnings quality, low volatility, and short-term reversal. The authors use extensive historical REIT data to rigorously test these factors' ability to capture return patterns unique to the real estate sector. Their analysis shows that these tailored factors provide a more accurate and robust framework for understanding REIT returns compared to traditional equity factors. This approach helps investors better assess risk and return drivers specific to real estate investments. Why it matters: Incorporating REIT-specific factors can enhance portfolio construction and risk management for real estate investors by unlocking more precise return drivers.
Read: https://alphaarchitect.com/reit-returns/
Alpha Architect

Recent Quant Links from Quantocracy as of 09/03/2025

This paper summarizes recent quantitative finance research links curated by Quantocracy as of September 3, 2025, focusing on topics like integrating Bitcoin ETFs into traditional multi-asset portfolios. It highlights methods and insights from various studies on how Bitcoin-related instruments can be incorporated to potentially enhance portfolio diversification and risk-adjusted returns. The data referenced spans multiple asset classes and includes cryptocurrency market behavior alongside

conventional financial instruments. Key findings suggest that Bitcoin ETFs may offer unique risk-return profiles that complement traditional investments, though investor risk tolerance remains a critical consideration. Why it matters: This curated overview helps practitioners stay updated on emerging quantitative strategies involving cryptocurrencies within conventional portfolio frameworks.
Read: https://quantocracy.com/recent-quant-links-from-quantocracy-as-of-09032025/
Quantocracy, Author at Quantocracy

Recent Quant Links from Quantocracy as of 09/01/2025

This paper summarizes recent quantitative finance research and blog posts featured on Quantocracy as of September 1, 2025. It highlights new methods such as combinatorial purged cross-validation, which addresses the problem of overfitting in parameter optimization by avoiding reliance on a single historical data path. The summary draws from a variety of data sources and research links curated on the Quantocracy platform. Key insights include improved model validation techniques that enhance robustness in backtesting trading strategies. Why it matters: It provides practitioners with up-to-date, vetted quantitative methods and tools to improve model reliability and avoid overfitting in strategy development.
Read: https://quantocracy.com/recent-quant-links-from-quantocracy-as-of-09012025/
Quantocracy, Author at Quantocracy

Recent Quant Links from Quantocracy as of 08/31/2025

This paper is a curated summary of recent quantitative finance research and insights featured on Quantocracy as of August 31, 2025. It compiles links to studies addressing topics such as volume shocks and their impact on overnight returns, providing practitioners with timely access to emerging quant strategies and market phenomena. The method involves aggregating and highlighting relevant research articles and blog posts from the quant community. While no original data or empirical results are presented, the collection serves as a valuable resource for staying updated on cutting-edge quant finance developments. Why it matters: It helps practitioners quickly discover and evaluate new quantitative strategies and market insights to enhance their trading and investment approaches.
Read: https://quantocracy.com/recent-quant-links-from-quantocracy-as-of-08312025/
Quantocracy, Author at Quantocracy

Recent Quant Links from Quantocracy as of 08/29/2025

This paper is a curated summary of recent quantitative finance research links featured on Quantocracy as of August 29, 2025. It highlights advances in areas such as neural networks applied to factor models and empirical asset pricing using machine learning techniques. The summary draws from multiple studies and blog posts, providing practitioners with a consolidated view of cutting-edge methods and data-driven insights in quant finance. Key results include improved asset pricing models and enhanced predictive performance through deep learning approaches. Why it matters: It offers practitioners a convenient, up-to-date resource to stay informed on the latest quantitative methods and research trends that can improve investment strategies.
Read: https://quantocracy.com/recent-quant-links-from-quantocracy-as-of-08292025/
Quantocracy, Author at Quantocracy

Recent Quant Links from Quantocracy as of 08/24/2025

This paper is a curated summary of recent quantitative finance research and insights featured on Quantocracy as of August 24, 2025. It highlights various topics such as walk-forward optimization, emphasizing that data quality is more critical than model complexity or parameter tuning. The content is drawn from a range of blog posts and articles, providing practitioners with up-to-date perspectives and practical advice on quantitative trading strategies. Key takeaways focus on improving model robustness and the importance of data-driven decision-making. Why it matters: Staying informed with the latest quantitative research helps practitioners refine strategies and adapt to evolving market conditions effectively.
Read: https://quantocracy.com/recent-quant-links-from-quantocracy-as-of-08242025/
Quantocracy, Author at Quantocracy

Recent Quant Links from Quantocracy as of 08/19/2025

This paper is a curated summary of recent quantitative finance research links featured on Quantocracy as of August 19, 2025. It highlights diverse topics such as long-term global real estate return dynamics, providing practitioners with access to cutting-edge quant strategies and empirical findings. The method involves aggregating and summarizing relevant quant finance articles and studies from various sources. Data referenced spans multiple asset classes and historical periods, emphasizing practical insights for portfolio management and strategy development. Key results include novel perspectives on asset return behavior and risk factors across different markets. Why it matters: This compilation helps practitioners stay informed on the latest quantitative finance research and emerging strategies to enhance investment decision-making.
Read: https://quantocracy.com/recent-quant-links-from-quantocracy-as-of-08192025/
Quantocracy, Author at Quantocracy

Recent Quant Links from Quantocracy as of 08/16/2025

This paper is a curated summary of recent quantitative finance research and blog posts featured on Quantocracy as of August 16, 2025. It highlights new developments such as cross-sectional alpha factors in cryptocurrency markets that achieve Sharpe ratios above 2 without overfitting, building on foundational factor models from the early 1990s. The summary draws from a variety of sources and data sets, providing practitioners with insights into emerging strategies and unexpected correlations in quant finance. Key results include evidence that novel factor models can deliver strong risk-adjusted returns in crypto markets. Why it matters: It offers practitioners a timely digest of cutting-edge quant strategies and research trends to inform and enhance their investment approaches.
Read: https://quantocracy.com/recent-quant-links-from-quantocracy-as-of-08162025/
Quantocracy, Author at Quantocracy

Recent Quant Links from Quantocracy as of 08/12/2025

This paper summarizes recent quantitative finance research and blog posts featured on Quantocracy as of August 12, 2025, highlighting new ideas and methods in trading strategy evaluation. One notable method discussed is retrospective simulation, which tests trading strategies by simulating thousands of alternative historical price paths rather than relying solely on realized market data. The content aggregates insights from various sources, providing practitioners with up-to-date approaches to risk assessment and strategy robustness. Key results emphasize the importance of considering multiple hypothetical scenarios to better understand strategy performance under different market conditions. Why it matters: It equips practitioners with advanced tools to more rigorously evaluate and improve trading strategies beyond traditional backtesting.
Read: https://quantocracy.com/recent-quant-links-from-quantocracy-as-of-08122025/

Quantocracy, Author at Quantocracy

Recent Quant Links from Quantocracy as of 08/05/2025

This paper is a curated summary of recent quantitative finance research and blog posts featured on Quantocracy as of August 5, 2025. It aggregates diverse topics including applied quantitative methods, quantamental strategies, and market insights from various contributors. The content is drawn from publicly available articles and lectures, providing practitioners with a consolidated view of current trends and ideas in quant finance. Key results include practical takeaways and emerging themes that can inform strategy development and research directions. Why it matters: It offers a convenient, up-to-date digest of relevant quant finance knowledge to help practitioners stay informed and enhance their models and strategies.
Read: https://quantocracy.com/recent-quant-links-from-quantocracy-as-of-08052025/
Quantocracy, Author at Quantocracy

Recent Quant Links from Quantocracy as of 08/03/2025

This paper is a curated summary of recent quantitative finance research and blog posts featured on Quantocracy as of August 3, 2025. It aggregates diverse insights and developments in quant investing, covering topics such as factor models, risk management, and algorithmic strategies. The content is drawn from a variety of sources, providing practitioners with a consolidated view of the latest trends and practical ideas in quantitative finance. Key results include emerging methods and empirical findings that can inform strategy refinement and risk assessment. Why it matters: It offers practitioners a convenient, up-to-date digest of cutting-edge quant research and applications to enhance investment decision-making.
Read: https://quantocracy.com/recent-quant-links-from-quantocracy-as-of-08032025/
Quantocracy, Author at Quantocracy

■ Weekly Deep Dive

The capital puzzle

(1) Problem: This paper tackles a puzzle in monetary economics—whether central banks can tighten policy (raise nominal rates) while real interest rates actually fall. Traditionally, we expect real rates to rise when policy tightens, but recent episodes suggest otherwise, creating confusion about how monetary policy works. (2) Approach: The author builds a theoretical model that extends the standard New Keynesian framework by including endogenous capital accumulation—meaning firms decide how much capital to invest based on economic conditions. This addition makes the real interest rate response to monetary shocks less predictable. Intuitively, when policy tightens, firms might reduce investment, which affects capital stock and thus real rates in complex ways, breaking the usual direct link between policy and real rates. (3) Why it matters: For traders and risk managers, this means that movements in real interest rates during tightening cycles may not signal what they traditionally do. Relying on real rates as a structural guide to policy stance or economic health could be misleading, affecting bond pricing, risk assessment, and portfolio strategies. For policymakers, it suggests caution in interpreting real rate changes as straightforward indicators of policy effects. (4) How to skim: Start with the introduction and motivation to grasp the puzzle and why it’s important. Then read the model setup section to understand the role of capital accumulation intuitively. Next, focus on the results and discussion to see how the real interest rate behaves differently. Finally, check the conclusion for implications. You can skim or skip the detailed math derivations unless you want to implement or extend the model.

Paper: https://www.bis.org/publ/work1288.htm
BIS and FSI publications

■ Quant Keywords & Mini-Glossary

Volatility — [Measure of price fluctuations indicating market uncertainty or risk.]

Positioning — [The aggregate holdings or exposure of market participants in certain assets or sectors.]

Flow Analysis — [Study of capital movements into and out of assets to gauge market sentiment and liquidity.]

Momentum — [The tendency of asset prices to continue moving in the same direction over a period.]

Earnings Revisions — [Updates to analysts' earnings forecasts that can influence stock prices and trading strategies.]

Sector Rotation — [Shifting investment allocations between industry sectors based on economic or market outlooks.]

Risk Sentiment — [Overall market attitude toward risk-taking, influencing asset demand and volatility.]

ETF Inflows — [Capital entering exchange-traded funds, reflecting investor interest and impacting underlying assets.]

Hash Rate — [Computing power used to secure a blockchain network, indicating miner confidence in cryptocurrencies.]

Price Action — [Movement of asset prices used to inform trading decisions and strategy development.]

Backtesting — [Simulating trading strategies on historical data to evaluate performance and risk.]

Quantitative Strategy — [Trading approach based on mathematical models and data analysis.]

Volatility-Driven Trading — [Strategies that exploit changes in market volatility for profit.]

Macro Policy Impact — [Effects of government or central bank policies on market dynamics and asset prices.]

Sector Concentration Risk — [Risk arising from heavy exposure to a particular industry or sector.]