

NLP Assignment 3

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Observations

Let's first understand what is Hawkishness vs Dovishness.

Hawkishness is when people are extra defensive and negative. The amount of currency printed gets lesser. The interest rates go up and investments go down. When investments go down demand goes down and we have not much work to do, so there is unemployment and signs of inflation.

On the other hand, Dovishness is when people are very positive. A lot more currency is printed. And so there is a lot more money lent for lower interest rates. So people tend to have more money and they invest more. When they invest more the demand becomes higher. With higher demands, jobs get created and until attaining this saturation point, markets tend to grow as much as possible.

From our sentimental analysis of the FOMC minutes of meeting speech text over the period of 2017-2022, it can clearly be seen as 3 distinct phases

- 1)The pre-pandemic phase
- 2) the pandemic phase
- 3) the post-pandemic phase.

The pre-pandemic phase was the phase where countries were growing rapidly especially the US in terms of economy. The unemployment rates were pushed down and the interest rates were low. And so the overall sentiment during 2017-2019 has been dovish. This is pre pandemic era.

During the pandemic, economies slipped until the vaccines were rolled out and post-vaccination economies simply skyrocketed because of the heavy demand for goods and services. The later parts of 2021 and the early parts of 2022 lean towards the hawkishness sentiment.

Whereas the recent 6 to 7 months which is the 3rd period has seen over-saturation of cash flow and hence lack of demand and hence increased interest rates and lessened investments and workforce. Which are basically signs of inflation and negative sentiments that are hawkishness. And this can be seen in the latter half of 2022.

The Screenshots representing the analysis of Hawkishness vs Dovishness for the years 2017-2022 have been attached below





