Chinese Asset Managers' Monetary Policy Forecasts and Fund Performance

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1. What are the research questions?

- In China, how does the skill of forecasting monetary policy affect professional investors' investment outcomes?

2. Why are the research questions interesting?

- Given the opacity of Chinese monetary policy, anticipating policy shifts is a valuable skill for professional investors. Moreover, since fund managers have reputational incentives to report their true expectations, their forecasts may not only reflect current views but also help predict future monetary policy.

3. What is the paper's contribution?

- Existing:
  - Consider the monetary policy expectations of the professional forecasters or primary dealers.
  - Infer managers' skill from their investment choices and results.
  - Focus on the U.S. market.
- Expandation:
  - Consider institutional investors' monetary policy expectations from their written reports.
  - Infer managers' skill from their predictive statements.
  - Provide evidence on monetary policy expectations for China.

4. What hypotheses are tested in the paper?

- Chinese fund managers can correctly anticipate shifts in monetary policy to improve their fund performance.

5. Comment on the appropriateness of the sample selection procedures

- Managers are required to provide interpretable directional forecasts, ensuring meaningful input but possibly omitting subtle or qualitative responses.

6. Comment on the appropriateness of variable definition and measurement

- Fund managers' expectations are quantified from their reports using keyword-based rules, but the method relies on predefined dictionaries, making it subjective and context-sensitive.

7. Comment on the appropriateness of the model specification

- The binary forecast correctness indicator (0 or 1) fails to reflect the extent of deviation from actual outcomes, treating minor and major errors alike and reducing its informational value.

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

- While some funds accurately forecast Chinese monetary policy, it is hard to tell whether this reflects skill, insider access, or luck, which makes causal inference challenging.

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

- Analyze the impact of professional investors' macroeconomic expectation dispersion on market equilibrium.
- Use LLMs to measure market participants' expectations.
- Use multimodal data to measure market participants' expectations.
- Use policy recommendations in top economics journals to predict future government policy directions.

10. What links exist among these papers?

- The three papers all highlight the importance of macroeconomic policy expectations in asset management, either from the perspective of investor forecasting or policy transmission. They show how investors' understanding of policy and the impact of policy on portfolios influence each other.