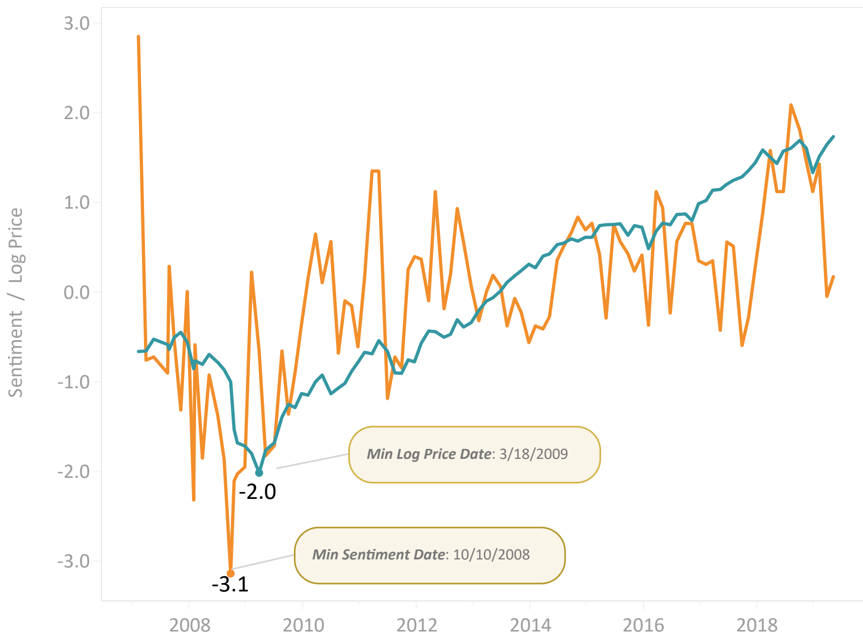
Equity Prices Explained by FOMC Sentiment 2007 - 2019

Sentiment vs Russell 1000 Index



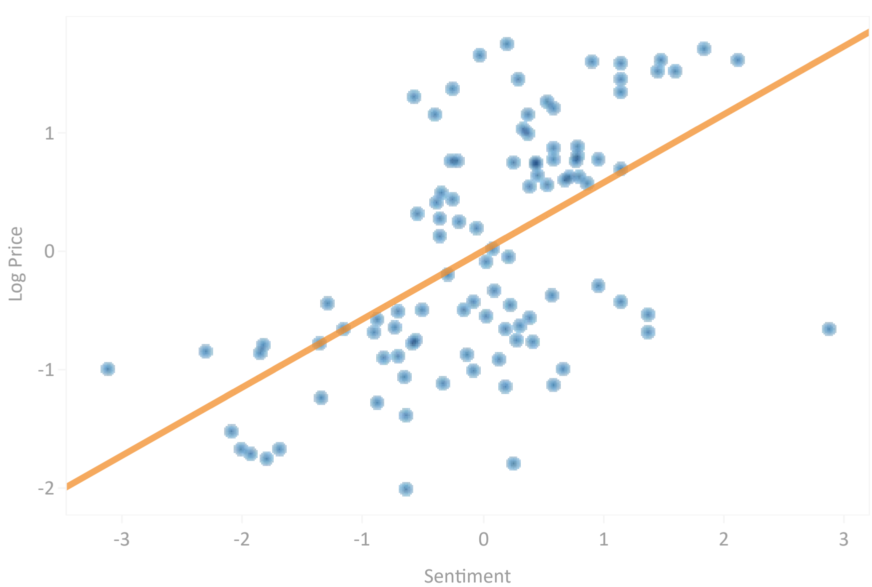
A New Leading Indicator

Sentiment *is at its lowest point toward the end of 2008, a few months before the equity market bottomed out in early 2009. We see the equity market recovered in the second half of 2009 after sentiment spiked upward.*

The Russell 1000 Index *reached record level highs in mid 2018 before sharply declining in December; sentiment in Q4 2018 declined right before the observed market selloff during the same period.*

Regression of Price by Sentiment

X = Sentiment, Y = Russell 1000 Index



When the p-value is low, the null hypothesis must go!

Sentiment is a statistically significant predictor of price because it's p-value is below 0.0001

The adjusted R-squared of 38% suggest the linear model can explain over 1/3 of the Russell 1000

Sentiment driving equity markets or vice versa is too complex to answer with a simple linear model; however, the regression suggests there is predictive explanatory value from sentiment analysis

Notes: *Data normalized to z-score as the Russell and sentiment indices are in different units. Z-scores of the Russell Index are observed on FOMC dates.*

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