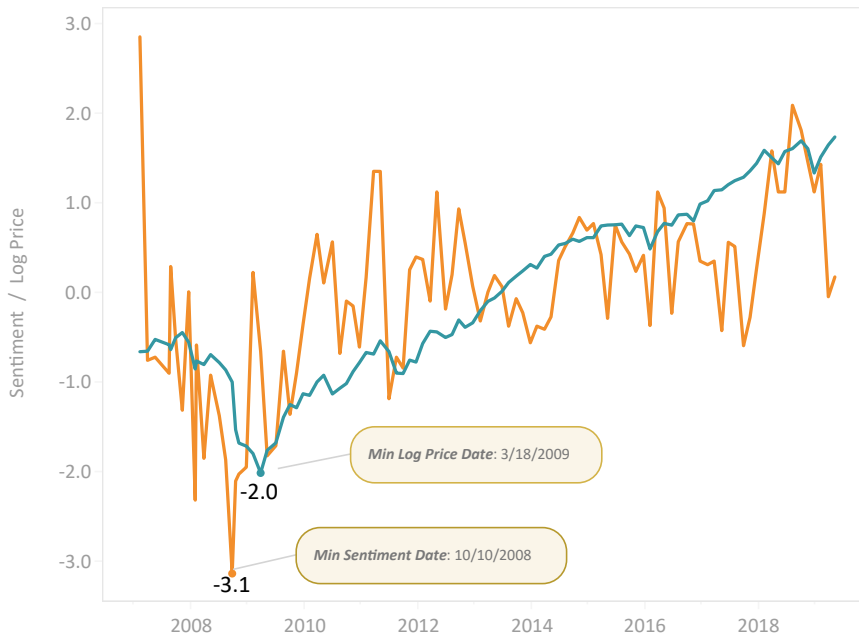


# Equity Prices Explained by FOMC Sentiment 2007 - 2019

## Sentiment vs Russell 1000 Index

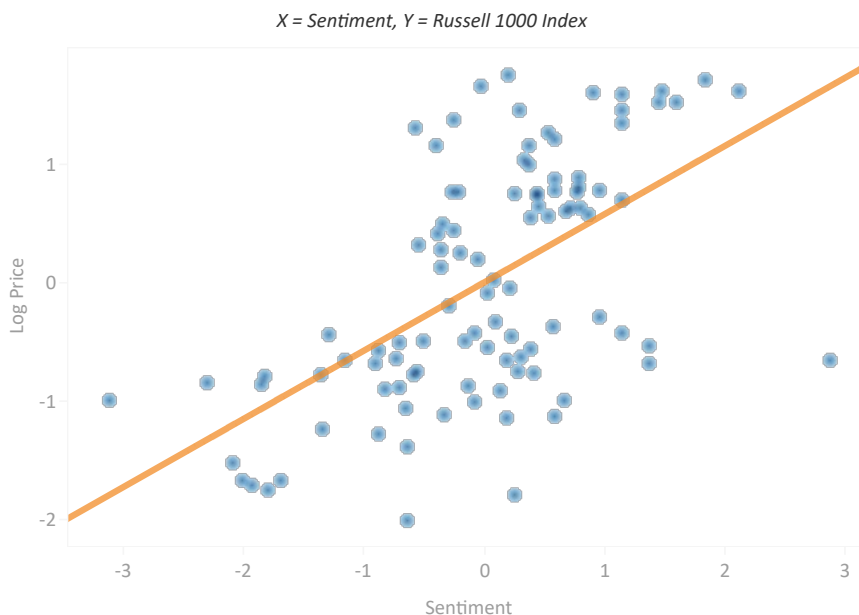


### A New Leading Indicator

**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



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

Sentiment is a statistically significant predictor of price because its 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

**Sources:** Journal, Wall Street. "RUI | Russell 1000 Index Historical Prices - WSJ." *The Wall Street Journal*, Dow Jones & Company. [www.wsj.com/market-data/quotes/index/RUI/historical-prices](http://www.wsj.com/market-data/quotes/index/RUI/historical-prices).

**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.