Monetary Shocks - Markets or Forecasters?

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Feburary 21, 2022

Introduction

- Monetary Policy

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    - Crucial for stabilizing the business cycle
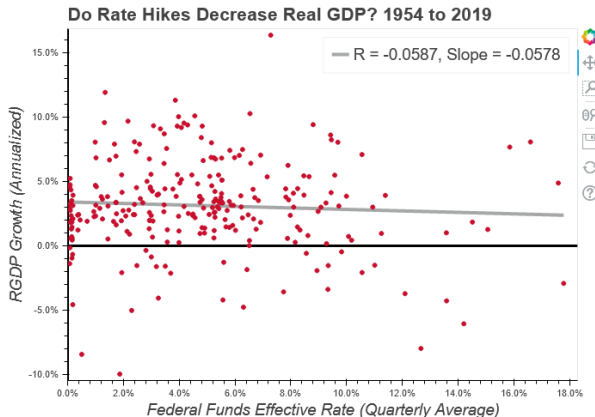
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Do Rate Hikes Decrease Real GDP? 1954 to 2019

R = -0.0587, Slope = -0.0578

RGDP Growth (Annualized) vs *Federal Funds Effective Rate (Quarterly Average)*

Related Literature

- **Romer2004 (Romer2004)**

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  - Regress FFR changes on forecasts
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- **Bauer2020** (**Bauer2020**)
  - Presents "Fed-information effect"
  - Implies Nakamura indicator has omitted variable bias

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   - Difference of slopes test

References