

More Than Just Talk? ECB Climate Communication, Market Expectations and Reaction

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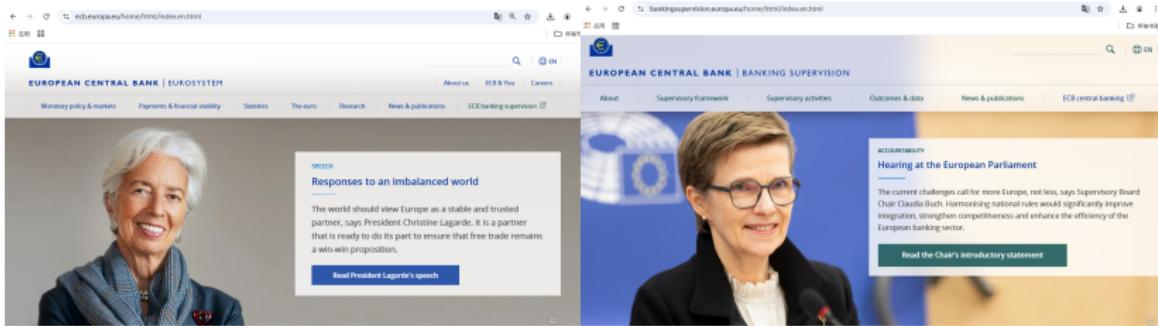
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Summary

- Enjoyed reading!
- RQ: How does ECB's news – published on supervisory arm (SSM) or the general central banking arm (CB) – affect financial markets?
- Main findings:
 - 1 Develops ECBert language model, to classify ECB news across five dimensions of climate-related guidance
 - 2 Analyzes euro area banks' CARs to climate supervision announcements, finding forward-looking, intensifying signals trigger negative market reactions
 - 3 Analyze macro-finance variables' responses to ECB climate-related communications, finding that action-oriented guidance raises uncertainty and inflation expectations in the euro zone over the medium term and shifts capital toward cleaner equities

Comment 1. What communication?



- Climate related non-monetary policy related announcements?
- Any duplicates as ECB main site may already mentioned bank supervision related news?

Comment 2. Research Structure and Key Questions

- **Two parts:**
 - 1 Bank stock response to supervisory announcements (event study)
 - 2 Macro-finance index response to all announcements (local projection)
- **Integration concerns:**
 - Why focus on supervisory announcements separate from main ECB announcements?
 - How are supervisory and main ECB announcements related in the context of climate news?
 - Do bank stock reactions correlate with changes in macro-fin vars after ECB announcements?

Comment 3. Data Sample

- Paper summary:
 - Text analysis: Trained a language model on ECB news from 1998–2015, then classified 2015–2023 ECB announcements by five climate-related guidance dimensions.
 - Reuters Breakingviews, 2019 Sep - 2024 Jun
 - Event Study: Euro area bank stocks' response to climate-related supervisory announcements (2018–2023, 37 SI banks)
 - Local projections: macro-fin vars' response to ecb climate related communications in 2015–2023
- Comments:
 - Sample periods, why
 - Newer climate-related terms (e.g., “Green”, “ESG disclosure”, “climate risk stress test”) may not be represented or had different meaning in pre-2015 training data, thus your model may underperform on climate dimension
 - Broader financial market responses

Comment 4: Methodology and Interpretation

- 2015 marked a global shift (Paris Agreement): Market reactions post-2015 may reflect global climate momentum, not just ECB actions — control for broader trends (e.g., global climate news, time FE)
- In event study, when take bank characteristics, use “**a dummy that takes on the value 1 if the bank has information about their Tier1 Capital Ratio available**”
- Alternative explanation: most announcements signal the need to raise more regulatory capital (Baglioni, Monticini, and Peel, 2021)

Comment 3: Miscellaneous

- Clarify what w represents in equations (6) and (7)
- Define the Single Supervisory Mechanism (SSM) when first mentioned.
- Specify the frequency of horizon h (weekly?) in local projections, and state the sample period explicitly in the main text (not just in figures)
- Fix citation format in Section 2.2, page 13: “proposed by Boehmer, Masumeci, and Poulsen (1991)”
- Improve writing flow: briefly introduce all five climate-related dimensions first, then explain the detailed framework for (iii). Modify the Figure 2 position

Conclusion

- Promising research!
- I recommend improving overall framing to make the paper more coherent and seamlessly integrated.
- Looking forward to next versions of this paper!

Thanks!