

What is our Question?

We would like to analyze the question “What are the effects of the actions by the Federal Reserve on Asset Prices and Market Indicators?”.

Actions of the Federal Reserve (FR) are defined as but are not limited to the setting of the

- Federal Funds Rate
- Quantitative Easing measures
- Press release language and timing

Each of these actions have various properties that will be part of our analysis, examples include:

Quantitative Easing	Federal Funds Rate	Press Releases
<ul style="list-style-type: none">• Security/Asset type• Security duration• Purchase/Sale• Size of action	<ul style="list-style-type: none">• Prior rate• Size of change• New rate value• Interval between change• Moving Average	<ul style="list-style-type: none">• FR member speaking• Event type• Key word occurrence• Interval between events

This data can be sourced from government-run websites such as <https://fred.stlouisfed.org/> and www.federalreserve.gov . Market data can be sourced from Bloomberg or other publicly available websites.

Why is the problem important?

The motivation behind this study is the Federal Reserve’s increasing power and influence over the United States financial markets since the 2008 financial crisis, especially considering the historically significant actions taken in the past 2 years. Due to the phenomenon being recent and the effects being relatively unknown, it is important to scientifically analyze what Federal Reserve actions are fulfilling their dual mandate, ‘of price stability and maximum sustainable employment’, and also if their actions are having unintended consequences.

Why will this dataset allow us to answer our question?

- The Federal Reserve keeps accurate and expansive historic data on all of their actions, ensuring the power of the study.
- Macroeconomic and Market data is widely available, accurate and complete which directly corresponds to the question we are seeking to answer.
- We are looking at a variety of data types not limited to numerical and time series data, but also text and sentiment.

Why are we likely to succeed in answering this question?

There seems to be substantial empirical evidence that the Federal Reserve’s actions are having a significant impact in many areas of the economy and financial markets. Given the completeness of the data we are confident that we will uncover the relationships between the actions and the effects.