

COMMENT: COORDINATING ATTENTION,
THE UNINTENDED CONSEQUENCES OF
FOMC PRESS CONFERENCES

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PRESS CONFERENCE: INTENDED ROLE

Q: Mr. Chairman [...] Can you talk a little bit about your decision to take this historic step of holding a news conference after a Fed meeting

A:

- ▷ “[...] the Federal Reserve has been looking for ways to increase its transparency”
- ▷ “[...] we had a subcommittee [...] looking for yet additional steps to take to **provide additional transparency and accountability**. And the press conference came right to the top”
- ▷ “[...] it does provide a chance [...] to **provide some additional color and context for both the meeting and the projections** that are being made by the Committee”

[Source: Transcripts of first press conference, 27/04/2011]

Press Conferences (PC) have separated FOMC announcements into important and lesser ones

- i. Add little to no information to the announcement
 - ▷ Realized vol moves in no significant way during PCs
 - ii. Nonetheless they serve as a powerful coordination device
 - ▷ News coverage and investors' attention increase for PC meetings
 - iii. Markets react more to and expect more from PC meetings
 - ▷ Higher returns and lower policy uncertainty during PC meetings
 - ▷ Higher futures-based probability of rate changes for PC meetings
- ▷ FOMC delay important decisions to PC meetings *because* markets pay more attention to them...
- ...what's the point of non-PC meetings?**

- i. Markets infer CB projections from interest rate decisions



signalling: UK case

- ▷ Realized vol moves in a significant way during IR PCs...
...yet market-based monetary surprises are little affected

- ii. The role of *unexpected* macroeconomic fundamentals

- ▷ A case for forecasts *and* revisions published at PC

- iii. Ex-ante policy expectations and attention

- ▷ Alternative story from set of survey-based evidence

THE IR PRESS CONFERENCE

- ▶ The Bank of England has a long history of holding PCs following the release of the quarterly Inflation Report (IR)
- ▶ Of the 12 MPC meetings in a year, 4 are followed by a PC
- ▶ The PC lasts 1 hour, during which the Governor (a) discusses the projections included in the IR, (b) provides context for the most recent MPC decision, (c) answers questions from the floor



Very similar setting but:

- i. Longer available history
- ii. Importance known ex-ante: large chunks of information are revealed

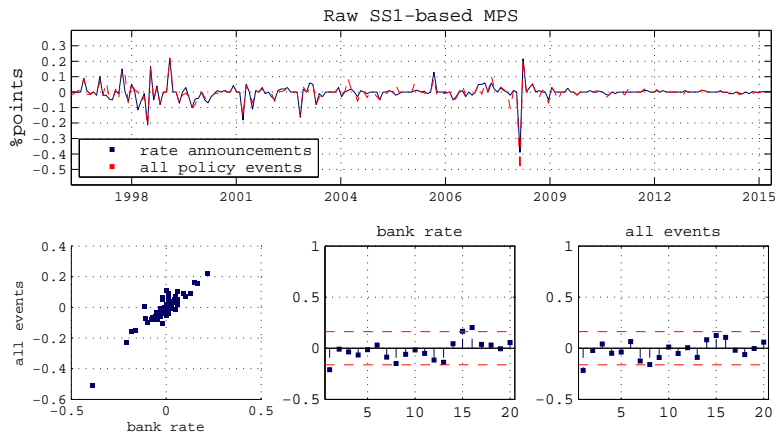
IR PC: REALIZED VOL IN UK MARKETS

- ▷ Annualized realized vol (RV) from 1-min mid-quotes of FTSE100
- ▷ RV at announcement: [t - 5min, t + 30min]
- ▷ RV at IR PC: [t - 5min, t + 60min]
- ▷ RV at *pseudo-IR* PC: [t - 5min, t + 60min]
- ▷ ELB subsample: $t \geq$ April 2009

	Realized Vol			Relative to Announcement		
	IR	pseudo IR	diff	IR	pseudo IR	diff
mean	0.438***	0.286***		1.182***	0.945***	
t/F stat	10.09	9.39	8.29	12.77	14.58	4.4
pval			0.005			0.039
N	25	51		25	51	

IR PC: INFORMATION CONTENT OF MONETARY SURPRISES

- ▶ Markets anticipate most of the information contained in the IR PC already at the announcement



[Source: Miranda-Agrippino (2016)]

A ROLE FOR NEWS ABOUT MACRO FUNDAMENTALS

- ▷ Suggests a role for **forecasts and forecasts revisions contained into economic projections** (rather than the level of macro variables...)

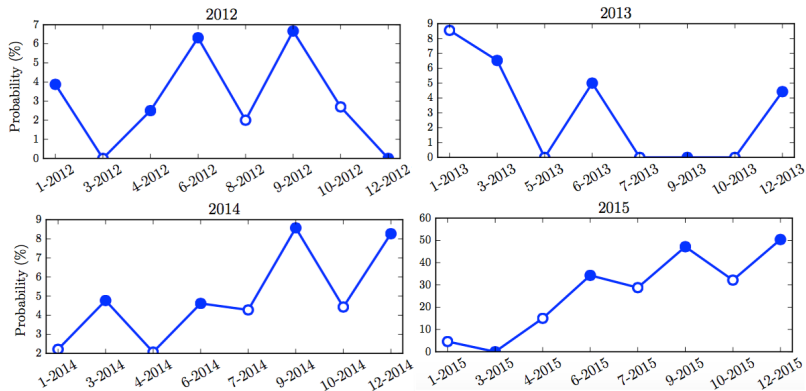
With non-PC data news: (a) *ecsurp*: Bloomberg Economic Surprise Index;
 (b) *cesi*: Citi Economic Surprise Index

FOMC Returns: SPY					
PC	0.549*** (3.13)	0.581*** (3.41)	0.568*** (3.37)	0.531*** (3.23)	0.527*** (3.24)
Δ S&P500			0.030 (1.35)		0.027 (1.24)
Δ ecsurp				-5.960** (-2.44)	-5.088* (-2.02)
Δ cesi		-0.033* (-1.86)	-0.026 (-1.43)		
c	-0.244* (-1.94)	-0.271** (-2.22)	-0.291** (-2.39)	-0.260** (-2.21)	-0.281** (-2.38)
adj R^2	0.197	0.250	0.267	0.297	0.308
F	9.811	6.985	5.378	8.591	6.331
N	37	37	37	37	37

Note: Surprise indices are lagged.



FED FUNDS FUTURES-BASED $p_t(i_{t+h} \neq i_t)$ VS FOMC GUIDANCE



Exceptionally low levels for the federal funds rate...

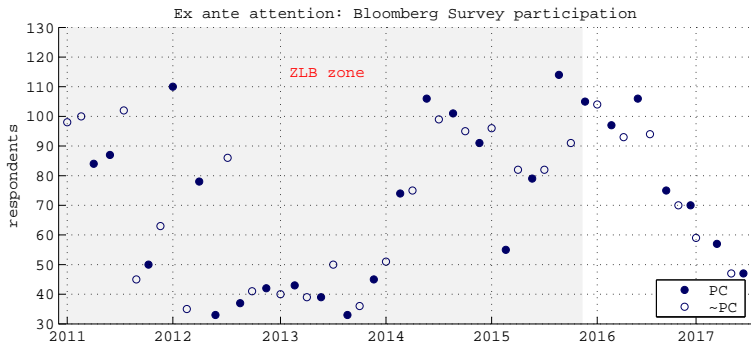
... at least **through mid-2013** (09/08/2011)

... at least **through late 2014** (25/01/2012)

... at least **through mid-2015** (13/09/2012)

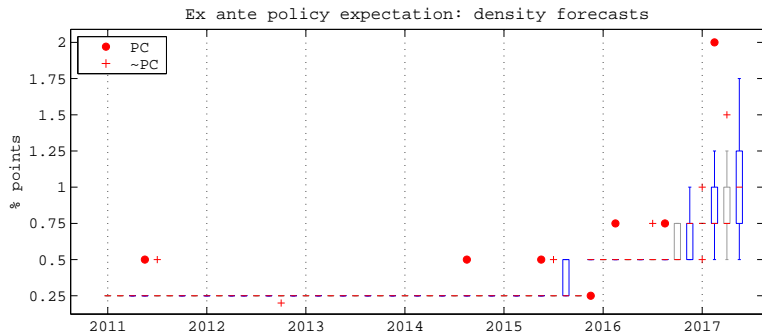


EX-ANTE ATTENTION – SURVEY EVIDENCE



- ▷ Drop in participation rate consistent with calendar (*Odyssean*) FG
- ▷ No systematic difference between meeting with and without PC

EX-ANTE POLICY EXPECTATIONS – SURVEY EVIDENCE



- ▷ Sporadic expected deviations from ZLB consistent with FG bound
- ▷ No systematic difference between meeting with and without PC

SUMMARY AND OPEN QUESTION

- ▷ There's a lot to like about this paper!

Highly relevant question → real-time policymaking

- ▷ Beware of:

- i. CB signalling at announcement: role of forecasts and revisions
- ii. Survey-based evidence suggesting potentially different ex-ante story

- ▷ Trade-off between timeliness and more information acquired

Abstracting from the (rather unsettling) possibility of CB being held hostage by markets, what is the effect of important decisions being held until the following meeting?