



# **Comments on Carvalho, Hsu, and Nechio, “Measuring the Effect of the Zero Lower Bound on Monetary Policy”**

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**“The Future of Forward Guidance”**

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# Summary

- Measuring the effects of Fed communications surprises ( $CS_t$ ) and monetary-policy surprises ( $MS_t$ ) on short and long yields in pre-(Z)LB and LB periods
- Communications surprises: Media Hawkish/Dovish content, post-announcements/testimonies less pre-
- Main result:
  - Pre-LB period: Effects of communication surprises on both short and long yields
  - LB period: Little/no effects of communication surprises on short yields, **similar effects on long yields as pre-LB**
- Robustness: Intraday data, alternative keywords, shorter window, news embargo, GSS “target” and “path” factors

# Comments 1

- Fine paper, well done
- Results well supported, make sense
- Pass robustness tests

# Comments 2

- Fed communications surprises: Media Hawkish/Dovish content, post-announcements/testimonies less pre-

$$\text{DFSO}_t, \text{FSO}_t \equiv \ln \frac{1 + H_t}{1 + F_t}$$

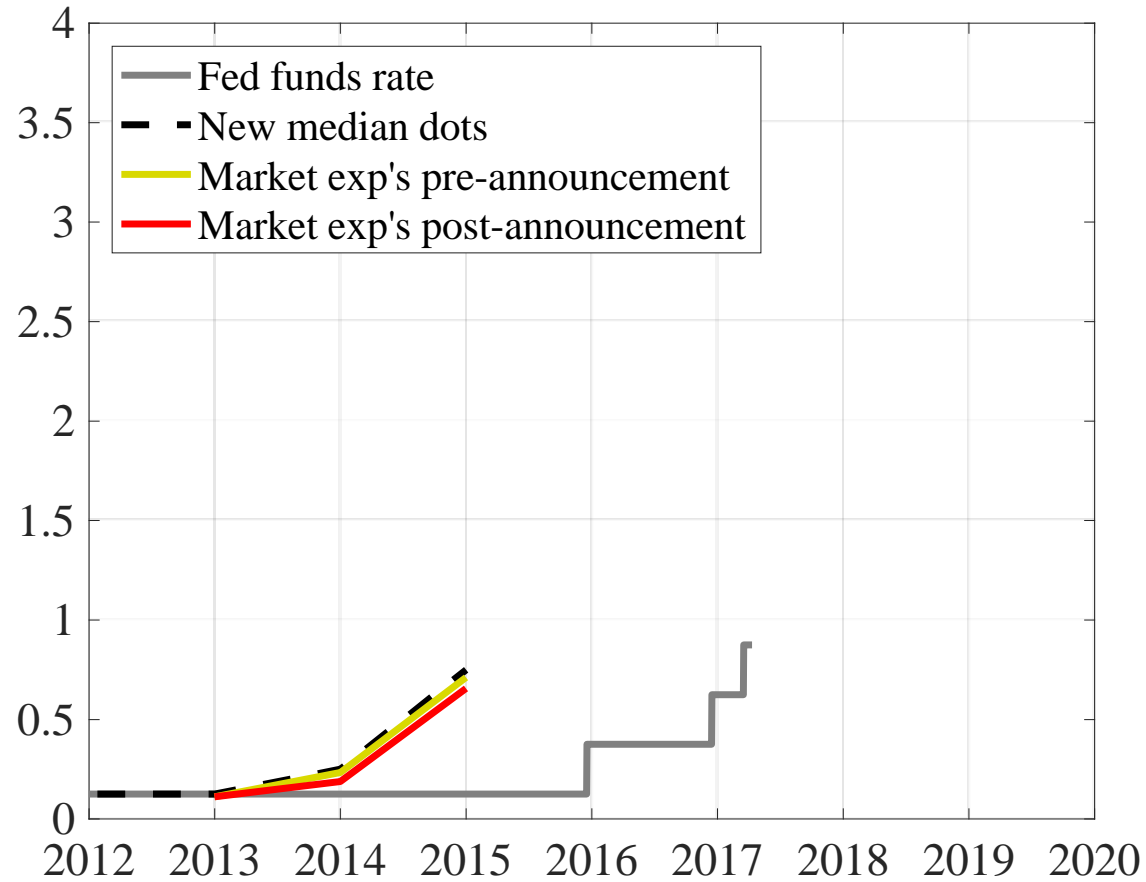
- Media's *perception* of Fed communication, not necessarily *objective content* of communication or Fed's *intention* with communication
- H/D count may be misleading:  
 “Everyone expected a **hawkish** statement, but the statement was far from **hawkish**”:  $(H_t = 2, D_t = 0)$
- H/D terminology is ambiguous:

$$Di_t, D(i_t - i_t^*), Dp_{t+t,t}, Du_{t+t,t}, Dp^*, Du^*, D/$$

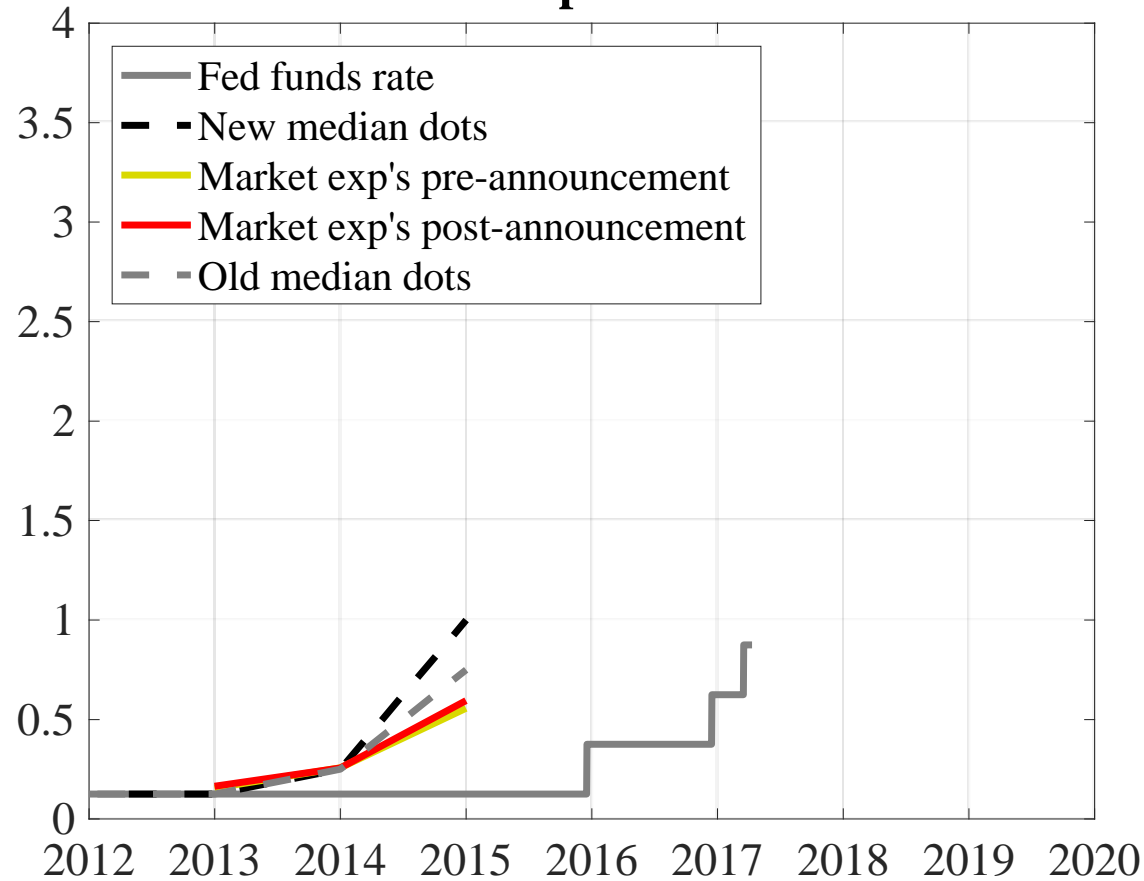
# Comments 3

- Fed's communication in pre-LB and LB periods different
- Forward guidance different
- From January 2012 much more specific:
  - “Longer-Run Goals and Monetary Policy Strategy”
  - Dot plots
- Compare median dots (~ Fed policy-rate path) to pre- and post-announcement market expectations
- *Credibility*: Post-announcement market expectations close to median dots
- *Predictability* (if Credibility): Pre-announcement markets expectations close to median dots

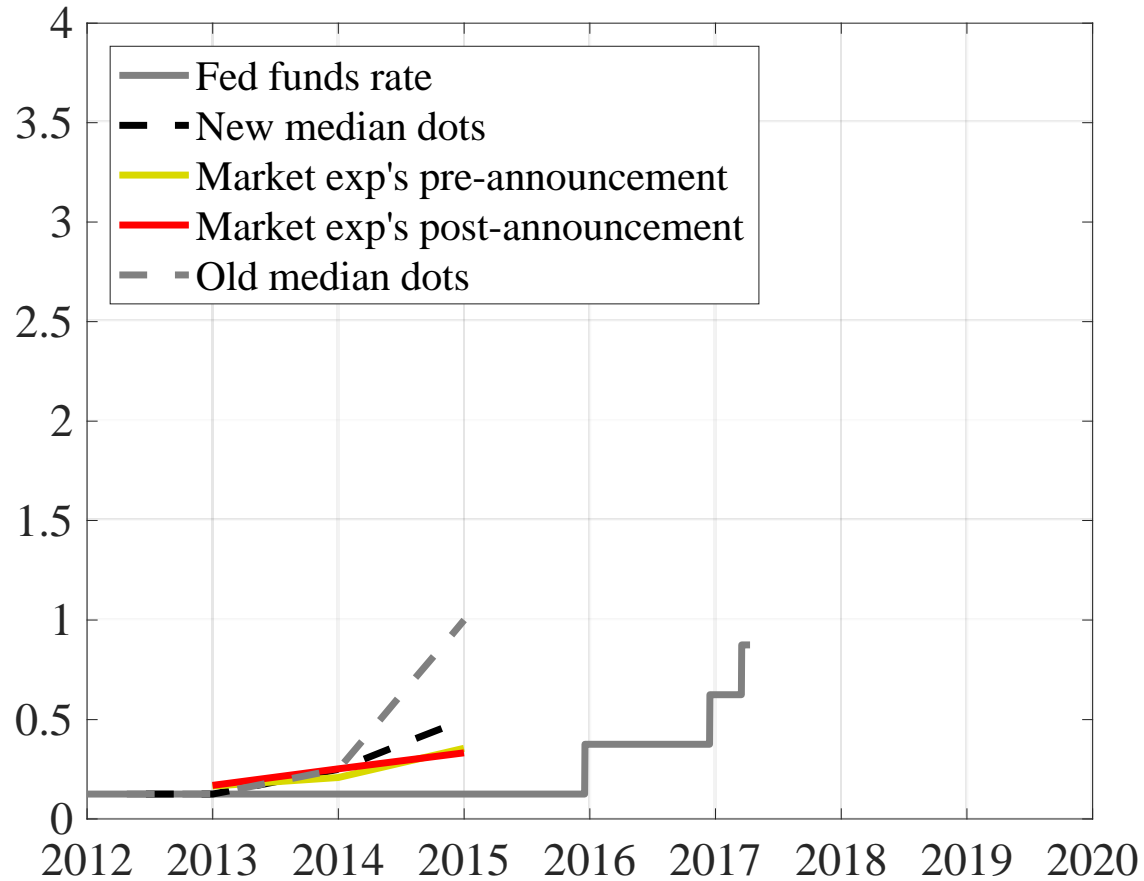
**25-Jan-2012**



**25-Apr-2012**

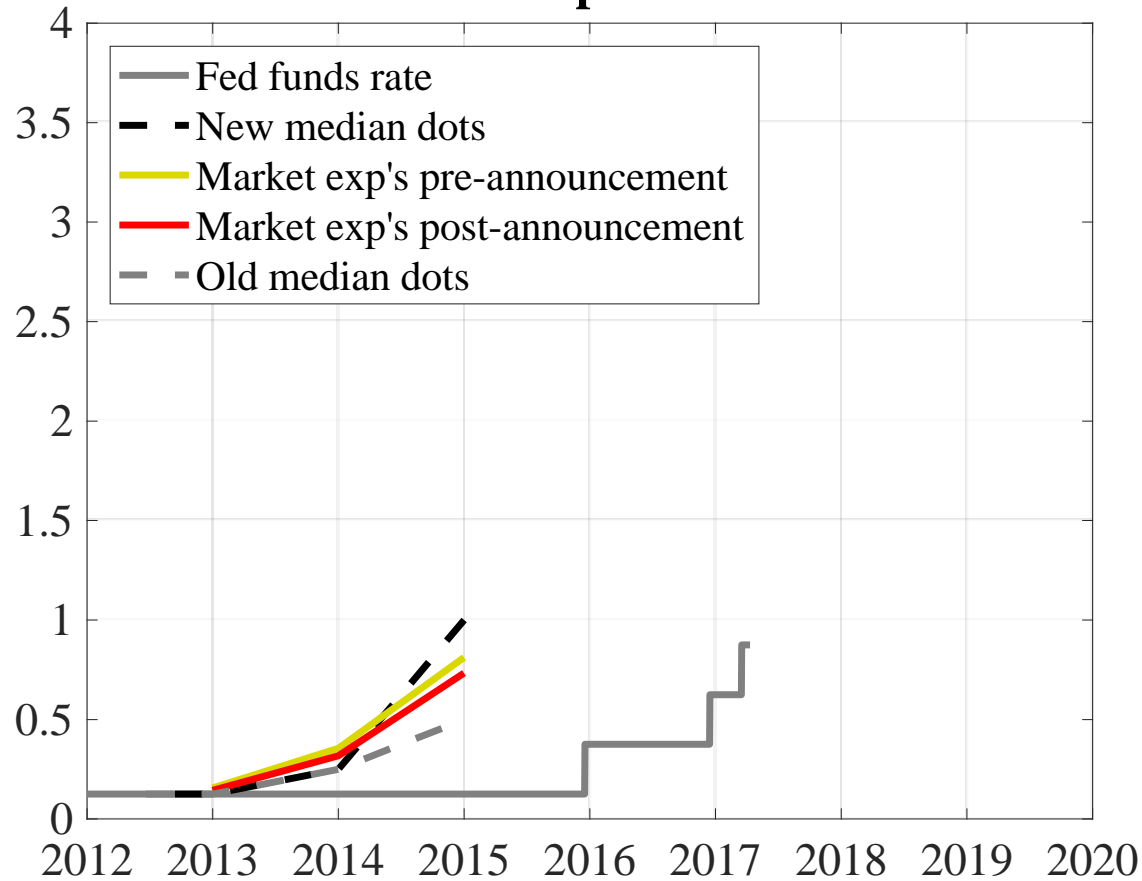


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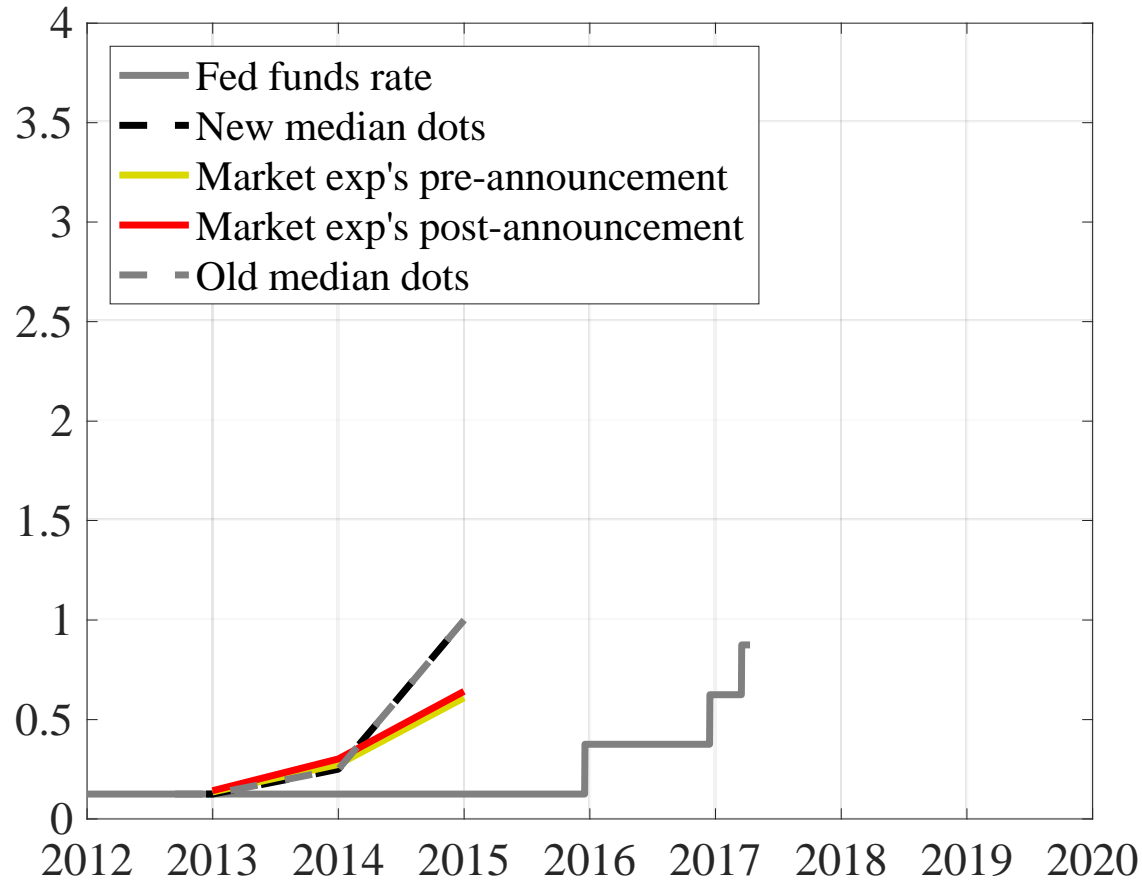




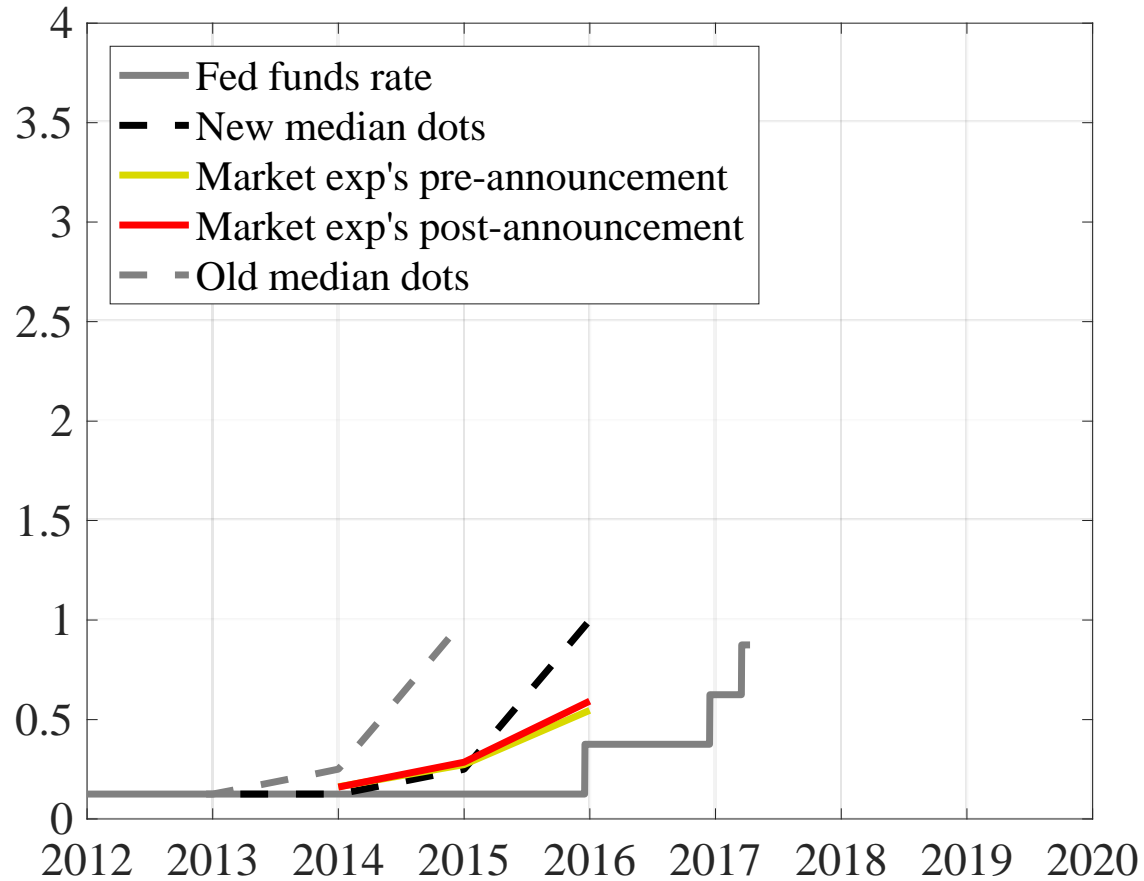
**13-Sep-2012**



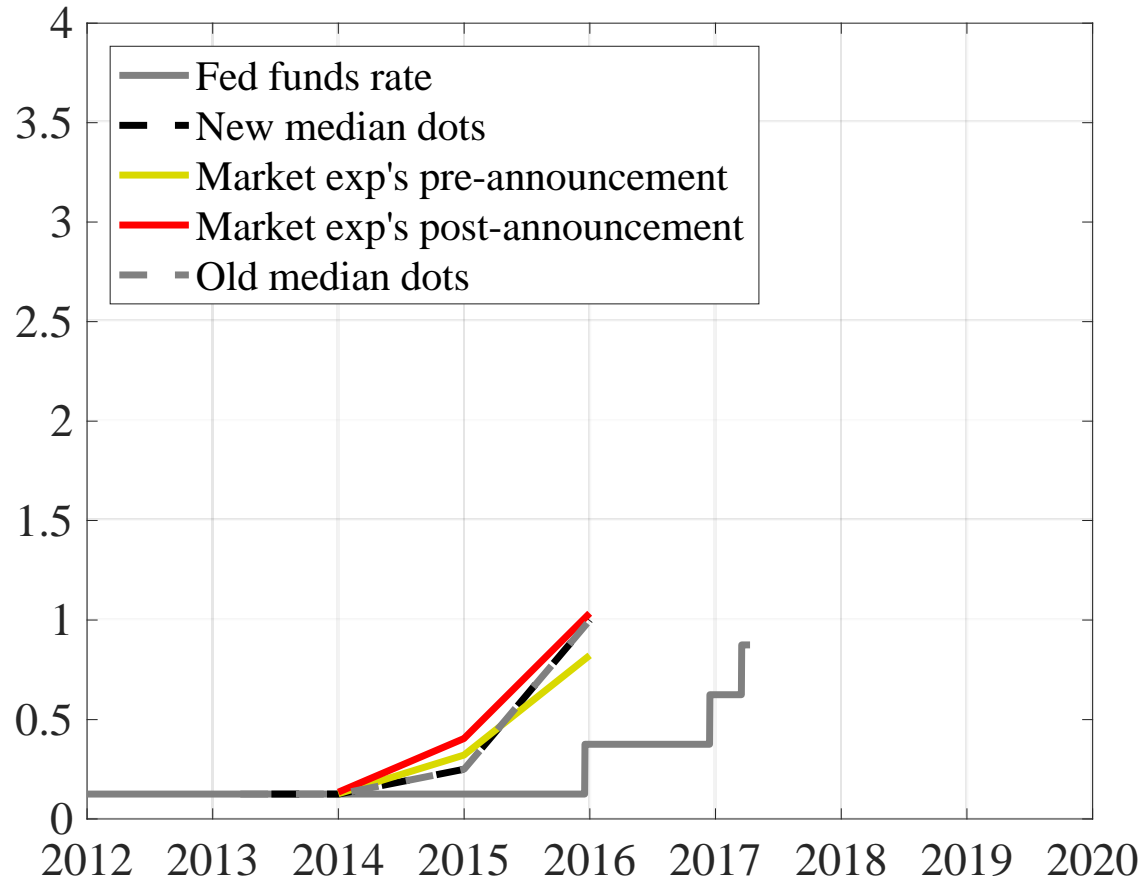
**12-Dec-2012**



**20-Mar-2013**

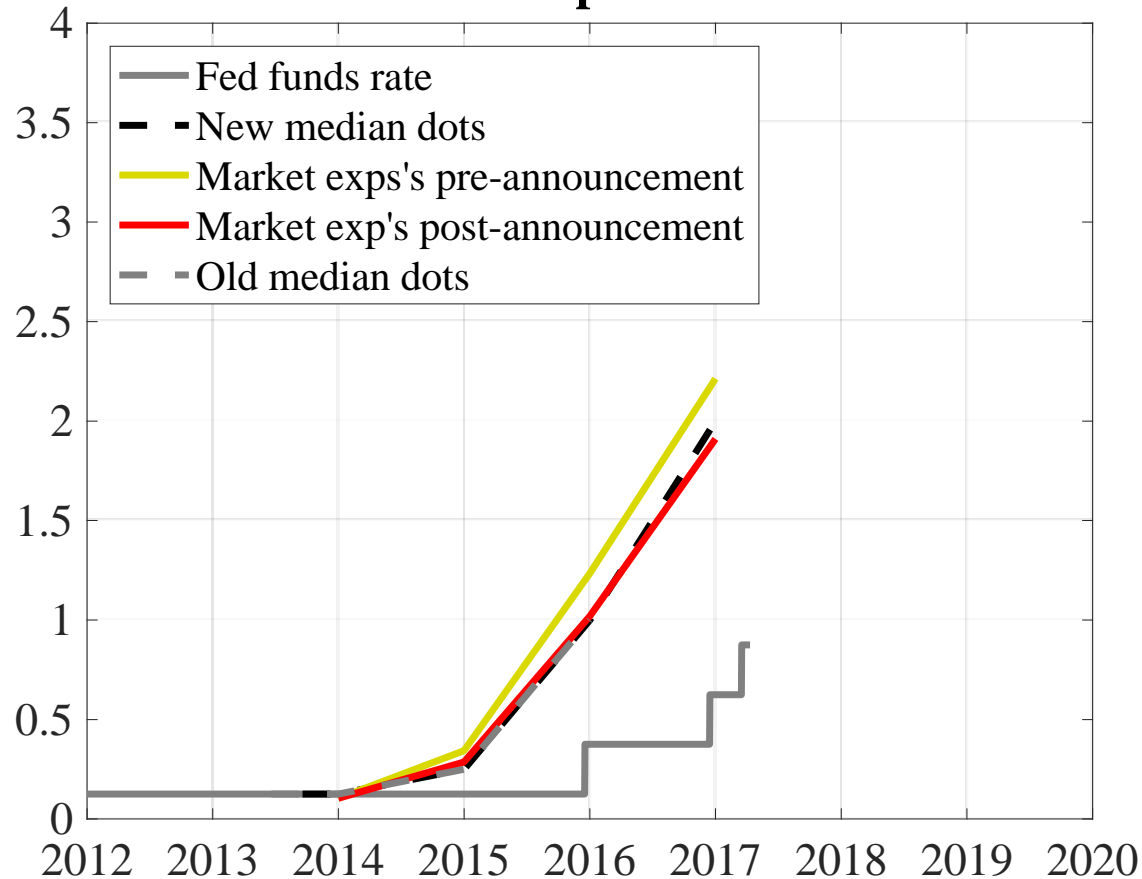


**19-Jun-2013**

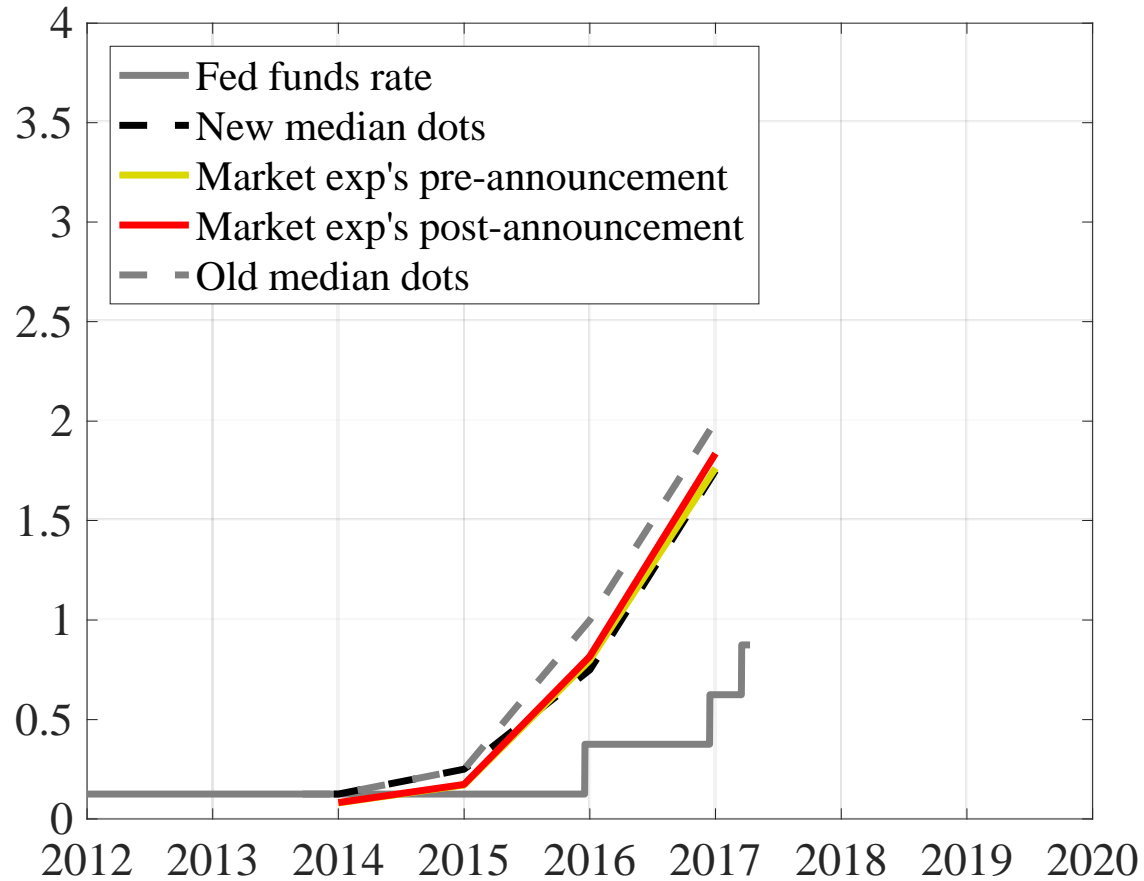


# Both credibility and predictability

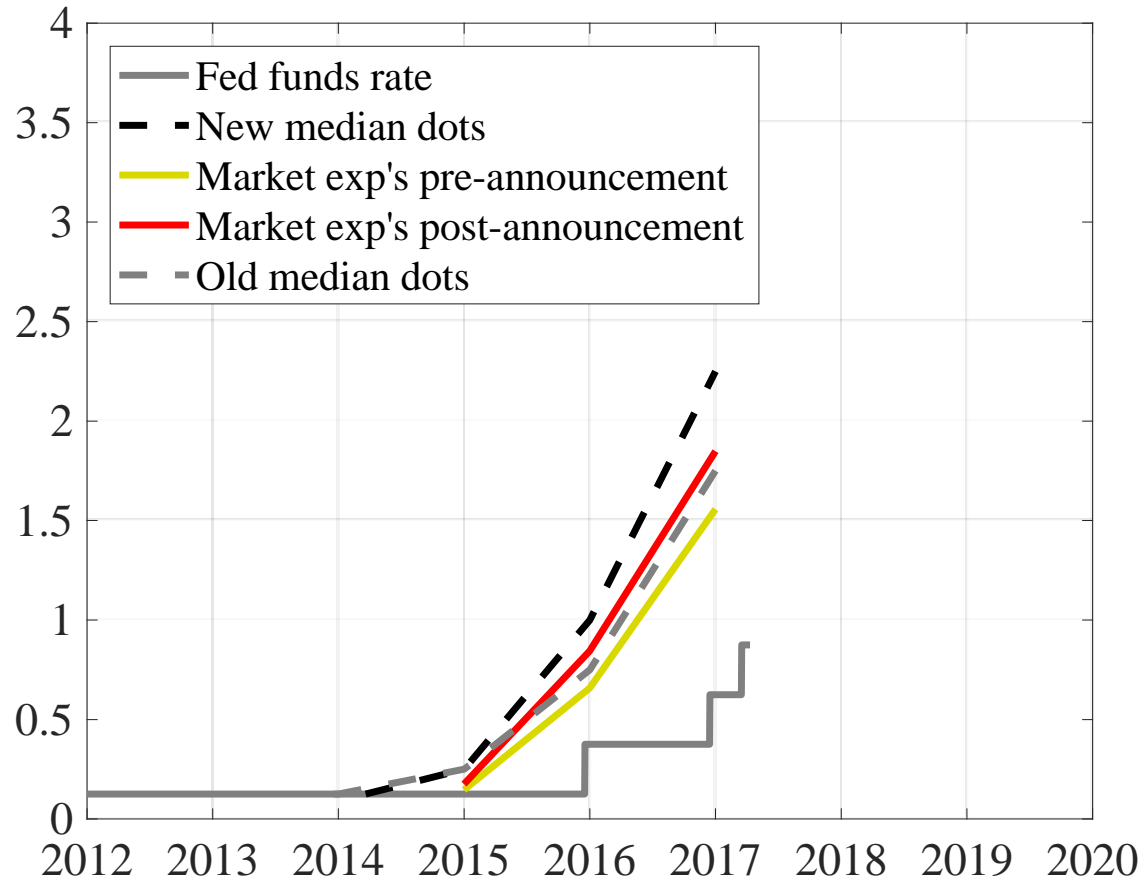
18-Sep-2013



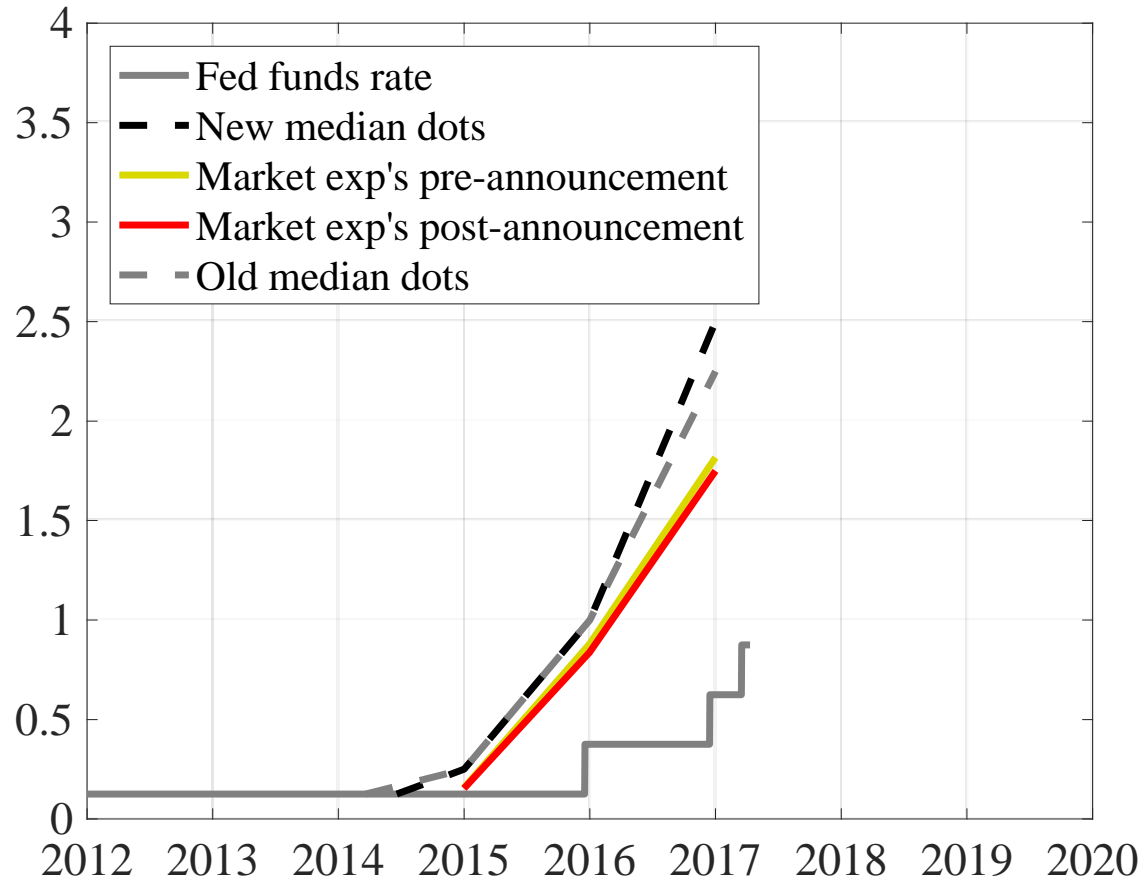
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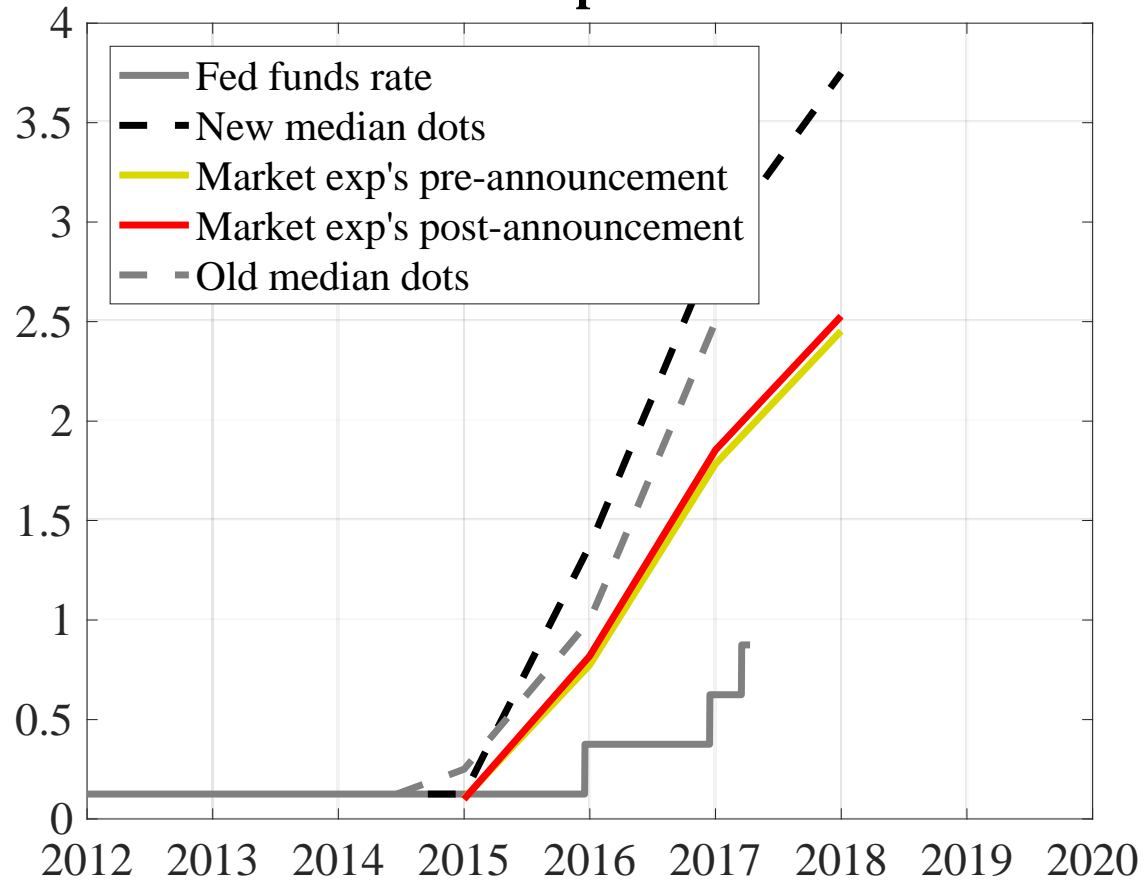


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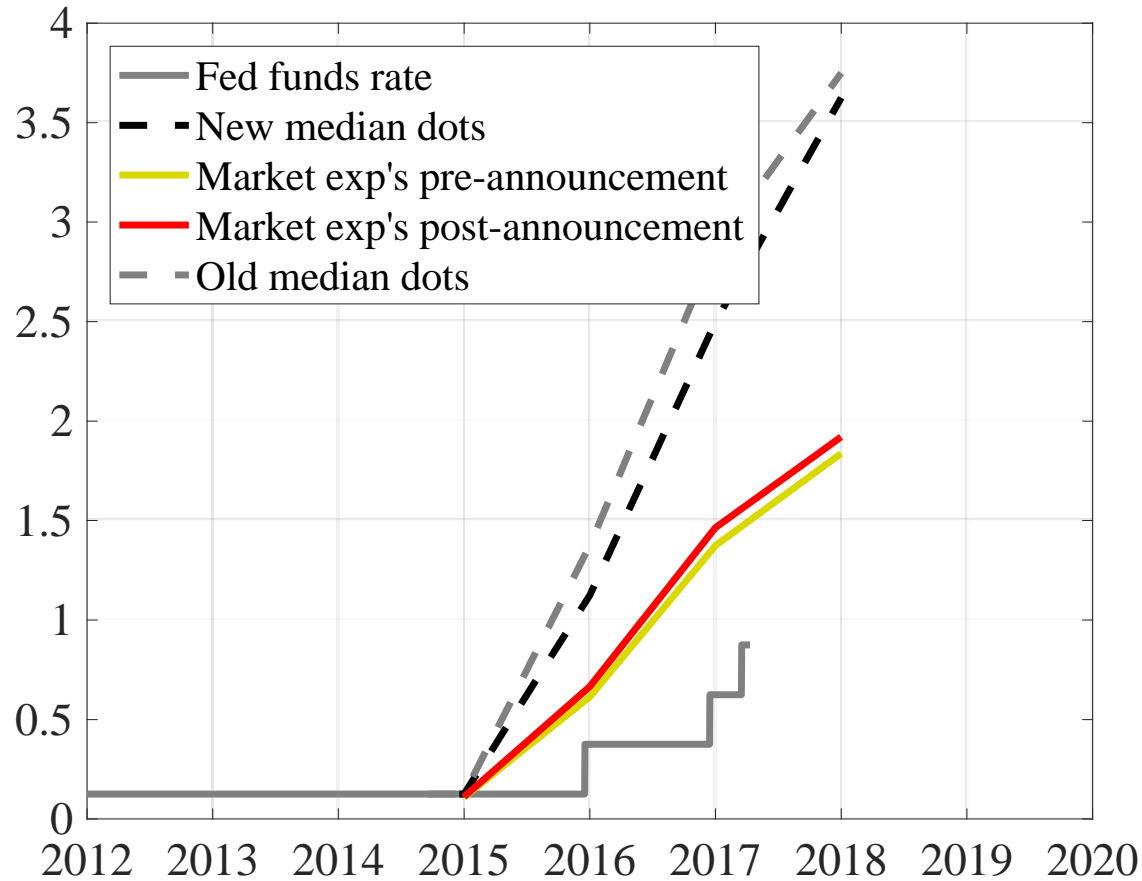




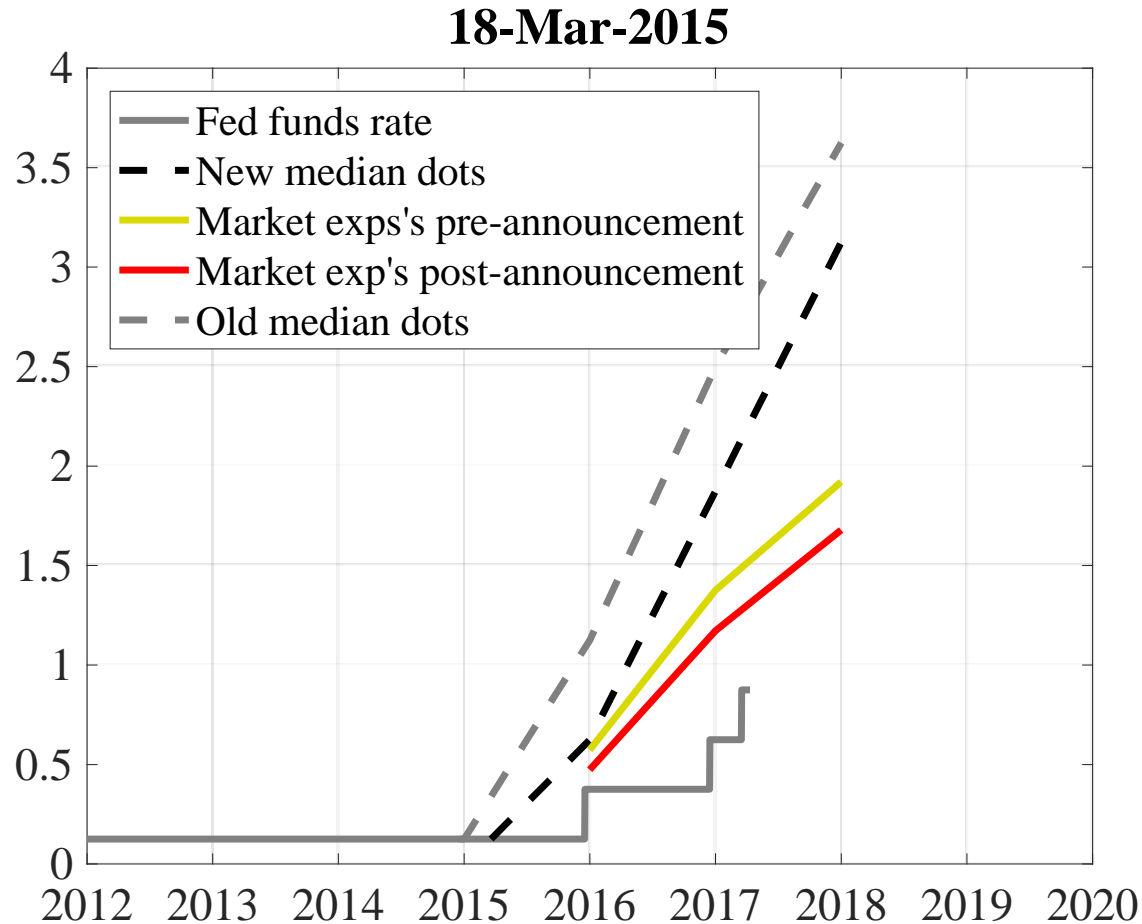
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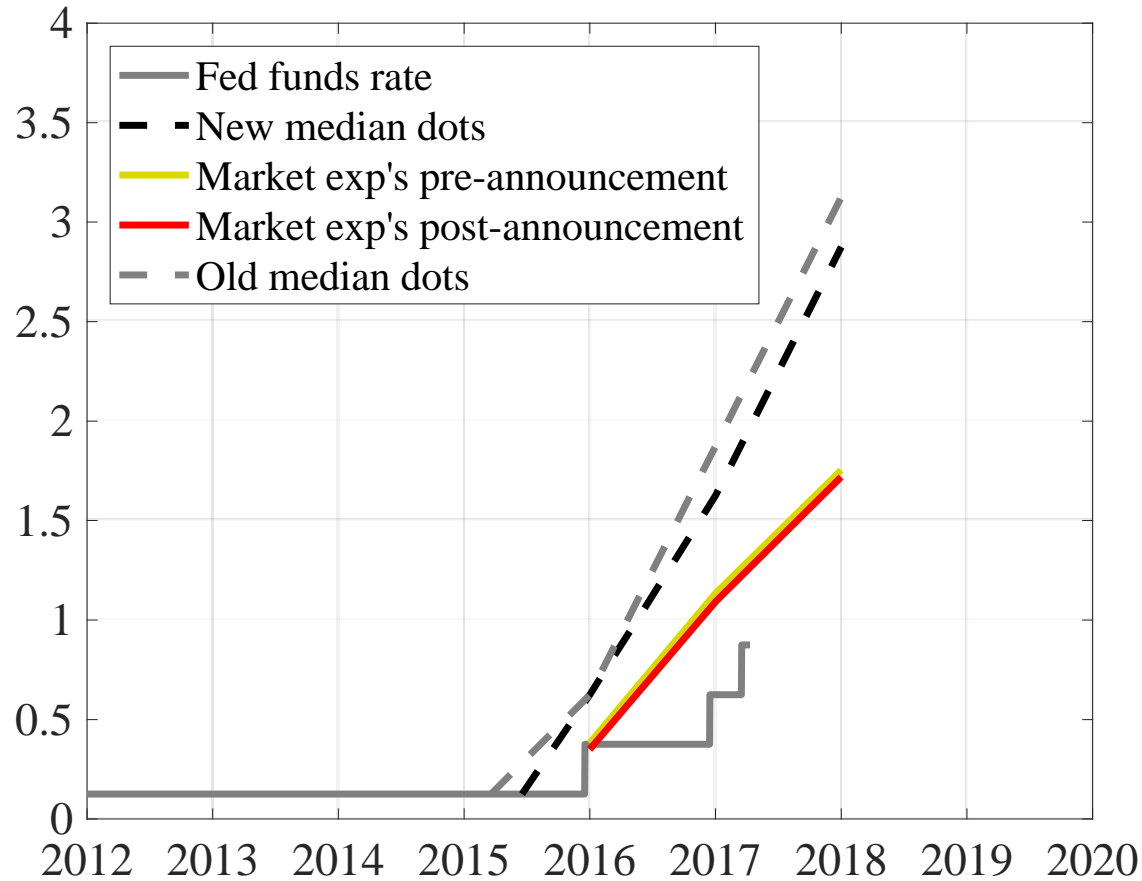
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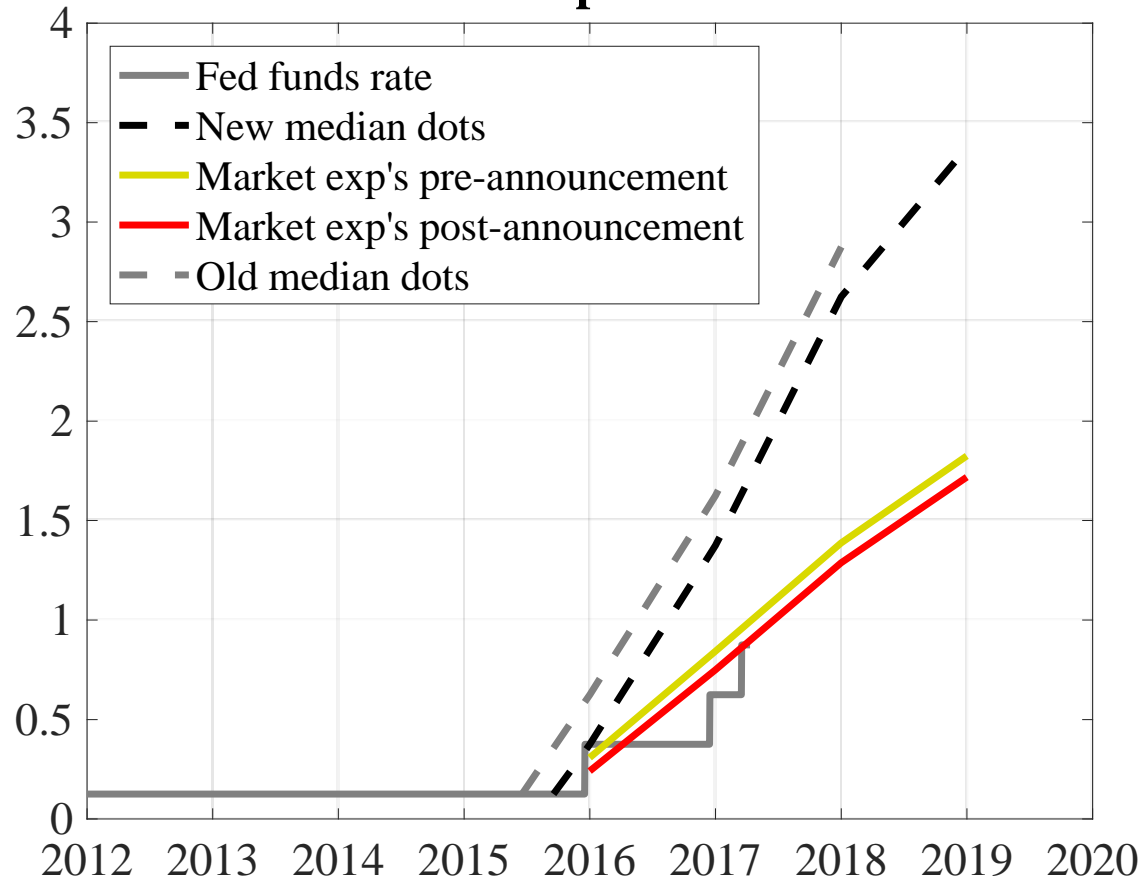
# Little credibility



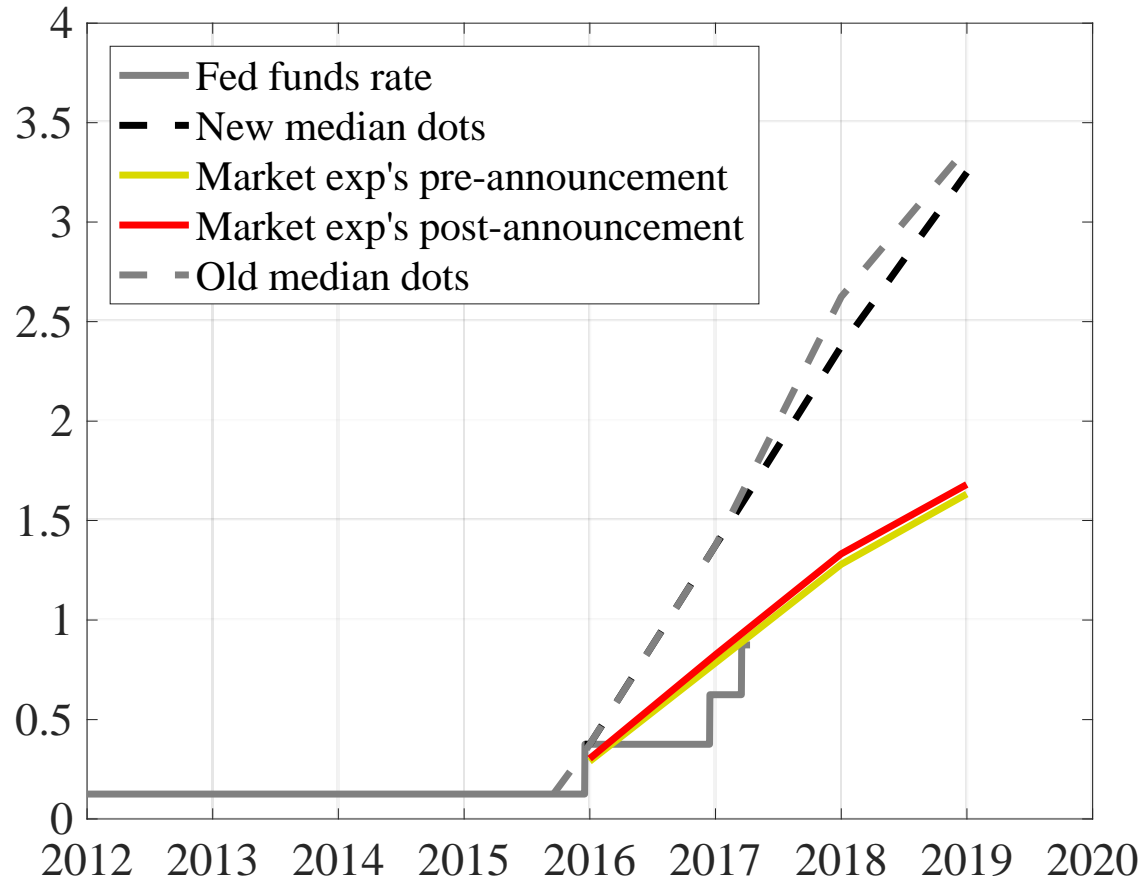
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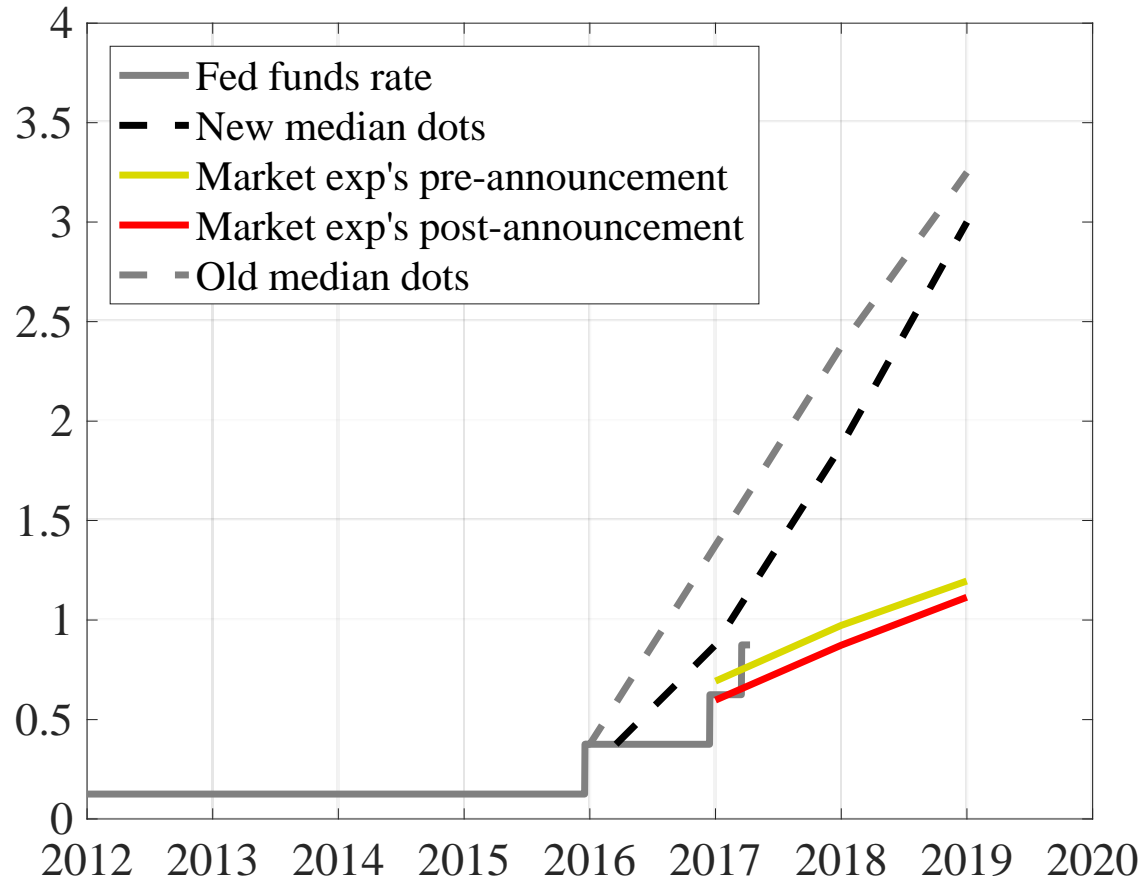
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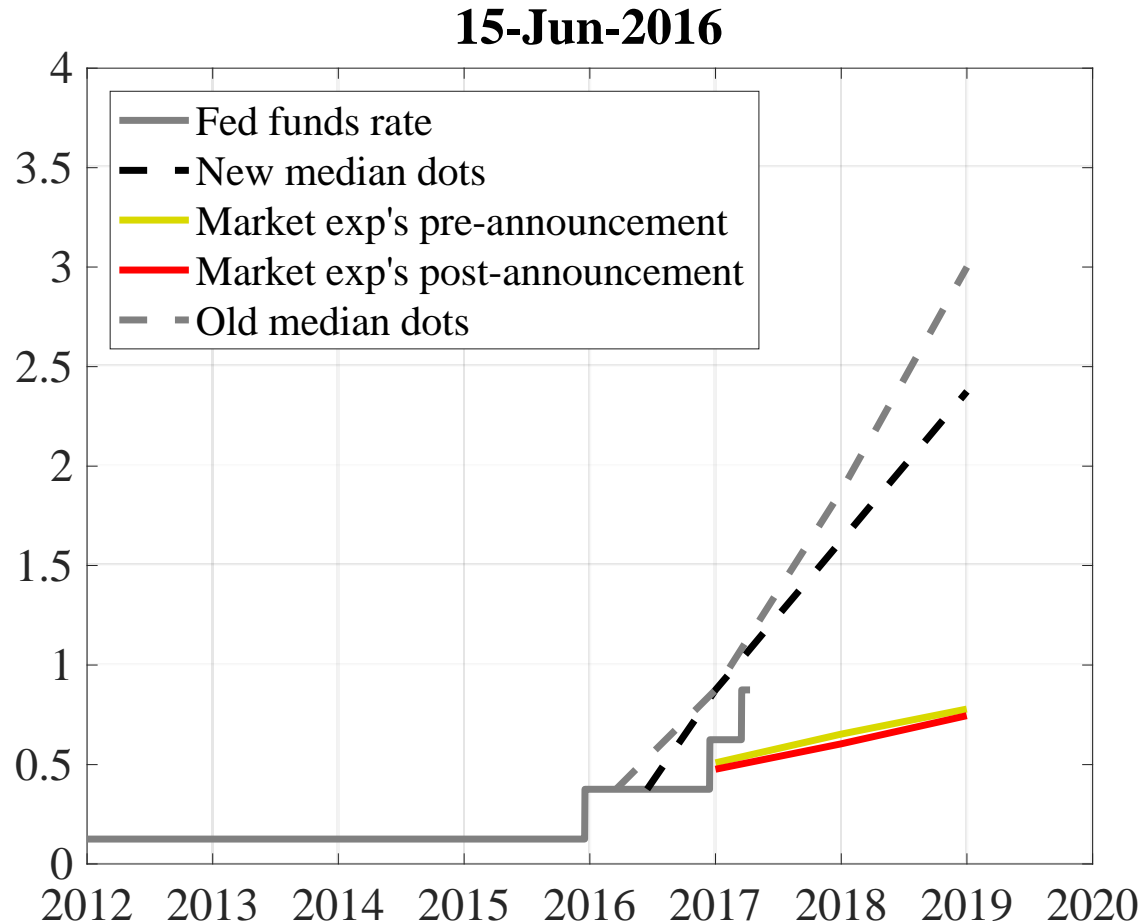
**16-Dec-2015**



**16-Mar-2016**

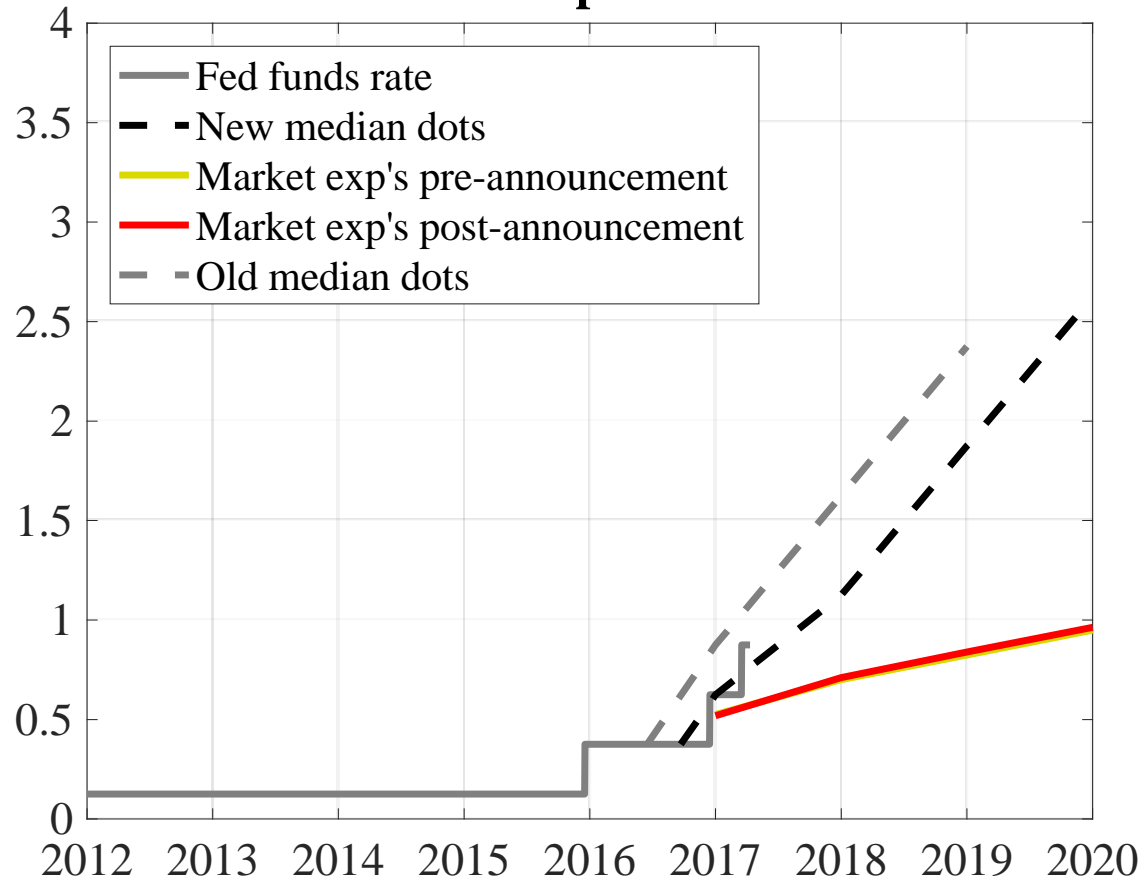


# Market couldn't care less

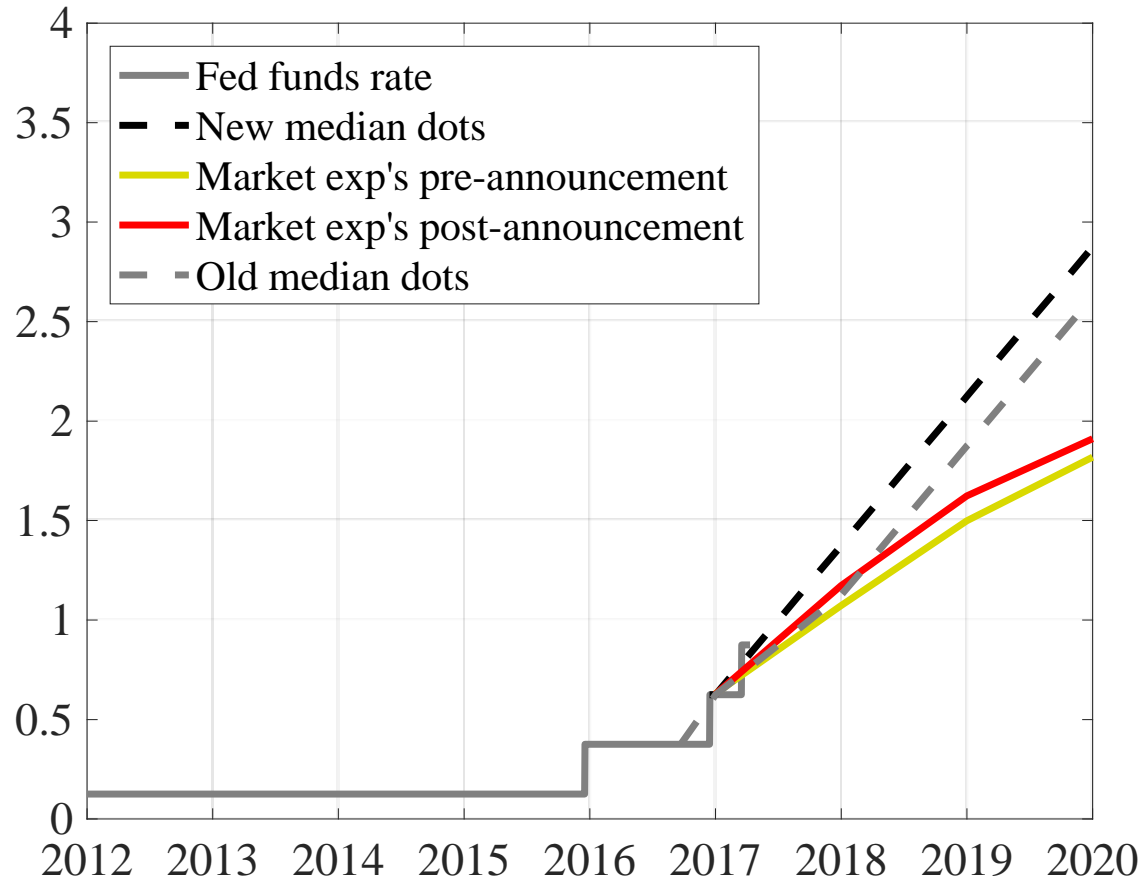




**21-Sep-2016**



**14-Dec-2016**



15-Mar-2017

