Comments on Cieslak, Morse, and Vissing-Jorgensen, “Stock Returns over the FOMC Cycle”

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A mystery novel

- Paper notes stock-returns pattern that is bi-weekly and synchronized with the FOMC cycle
- Eliminates a number of possible explanations
- Claims pattern due to news from FOMC about macro economy or monetary policy
- Pretty convincing
“Subtle” or unintended communication by the Fed?

- Intentional or unintentional leaks?
- “External communication” in FOMC meetings of January and June 2011
- FOMC Policy on External Communications of Committee Participants/Federal Reserve System Staff

FOMC meeting, Jan 25-26, 2011

Next, the Committee turned to a discussion of its external communications, specifically the importance of communicating both broadly and effectively. FOMC participants noted the importance of fair and equal access by the public to information that could be informative about future policy decisions, and they considered approaches to address this issue. Several participants noted that increased clarity of communications was a key objective, and some referred to the central role of communications in the monetary policy transmission process. A focus of the discussion was on how to encourage dialogue with the public in an appropriate and transparent manner. The subcommittee on communications agreed to consider whether further guidance in this area would be useful.
FOMC meeting, June 21-22, 2011

The Committee will monitor the economic outlook and financial developments and will act as needed to best foster maximum employment and price stability."


Voting against this action: None.

External Communications

In follow-up to discussions at the January meeting, the Committee turned to consideration of policies aimed at supporting effective communication with the public regarding the outlook for the economy and monetary policy. The subcommittee on communication, chaired by Governor Yellen and composed of Governor Duke and Presidents Fisher and Rosengren, proposed policies for Committee participants and for Federal Reserve System staff to follow in their communications with the public in order to reinforce the public’s confidence in the transparency and integrity of the monetary policy process. By unanimous vote, the Committee approved the policies. Participants all supported the policies, but several of them emphasized that the policy for staff, in particular, should be applied with judgment and common sense so as to avoid interfering with legitimate research.

It was agreed that the next meeting of the Committee would be held on Tuesday, August 9, 2011. The meeting adjourned at 12:10 p.m. on June 22, 2011.

Notation Vote

By notation vote completed on May 17, 2011, the Committee unanimously approved the minutes of the FOMC meeting held on April 26–27, 2011.

William B. English
Secretary

FOMC Policy on External Communications of Federal Reserve System Staff

1. Electronically communicating the effectiveness of monetary policy. In all communications with the public regarding monetary policy issues, members of the staff should refrain from publicly expressing their own personal opinions or predictions regarding prospective monetary policy decisions. In explaining the rationale for announced FOMC decisions, staff should draw on Committee communications, the Chairman’s press conference remarks, and other published materials as appropriate. Whenever staff make public comments on monetary policy, they should clearly indicate that those comments are solely their own responsibility and should not be interpreted as necessarily representing the views of the FOMC, its principals, or any other person associated with the Federal Reserve System.

2. To foster the ongoing frank exchange of views at FOMC meetings, staff will refrain from characterizing such discussions—apart from what has been published in the minutes of each FOMC meeting—in any contact with an individual, firm, or organization outside of the Federal Reserve System.
FOMC Policy on External Communications of Federal Reserve System Staff

FOMC Policy on External Communications of Federal Reserve System Staff: Practical Examples

1. Disclosure of confidential FOMC information. No confidential information may be released except pursuant to Committee instructions or with written authorization from the Chairman and prompt notification to the Committee.

2. A private meeting with members of the public—such as bankers, community representatives, industry representatives, labor representatives—to collect information about current economic and financial conditions, without disseminating any information that is not widely available to the public. Whenever practical, at least two Federal Reserve staff should be present at such a meeting.

3. A working paper, presentation, or publication that evaluates the effectiveness of monetary policy actions taken in the past.

4. A discussion between Federal Reserve and Treasury staff (including during the blackout period) regarding recent economic and financial developments in a foreign economy, how to interpret them, and their implications for future developments.

In contrast, the following contacts would not be consistent with the principles set out above:

1. Disclosure of confidential FOMC information.
“Subtle” or unintended communication by the Fed?

- Intentional or unintentional leaks?
- “External communication” in FOMC meetings of January and June 2011
- FOMC Policy on External Communications of Federal Reserve System Staff
- Apparently considered a problem
- Attempt to reduce leaks?
- Any change in the stock-returns pattern?