The FOMC Risk Shift

This paper presents new evidence on the channels through which asset markets respond to the revelation of monetary policy news. The authors Tim Kroencke (University of Neuchâtel), Maik Schmeling (Goethe University & CEPR) and Andreas Schrimpf (BIS & CEPR) find that a large part of stock market moves around FOMC (Federal Open Market Committee) meetings can be attributed to shocks that are uncorrelated with changes in bond yields but closely linked to changes in investors’ attitude towards risk. These price effects are mirrored by investors’ portfolio rebalancing decisions, manifesting themselves via economically sizeable shifts in fund flows. Return decompositions coupled with textual analysis suggest that “FOMC risk shifts” are related to changes in short-term uncertainty triggered by FOMC meetings.

Agenda

12:15 p.m. Welcome
Prof. Alexander Wagner (University of Zurich, Dept. of Banking & Finance)

12:20 p.m. Presentation
Dr. Andreas Schrimpf (Senior Economist, Bank for International Settlements)

01:30 p.m. End of the event