

# IT'S NOT WHAT THEY SAY, IT'S HOW THEY SAY IT – THE IMPACT OF THE TONE OF ECB GOVERNING COUNCIL SPEECHES ON FINANCIAL MARKETS

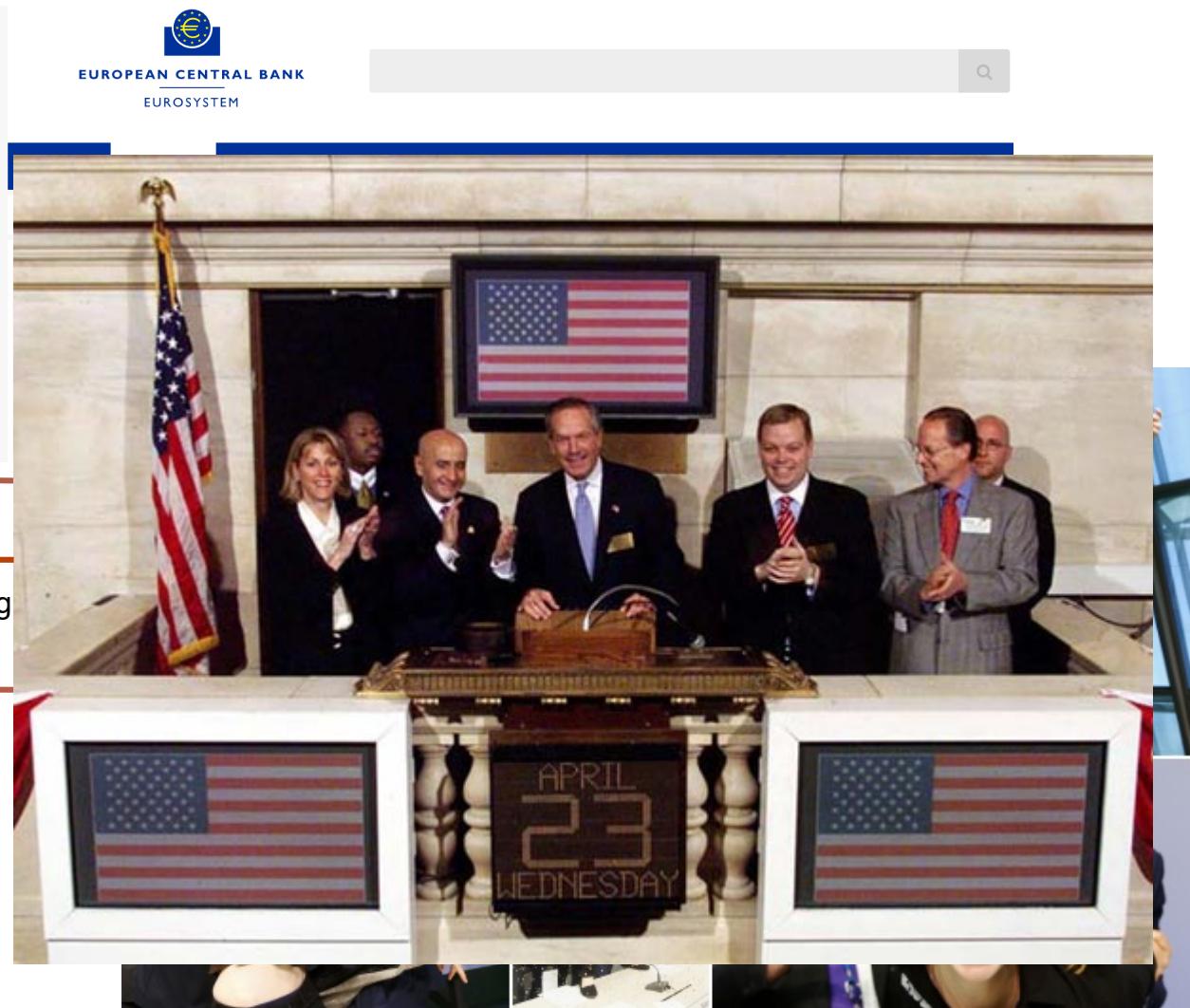
CONOR PARLE

Discussion by Ricardo Gimeno

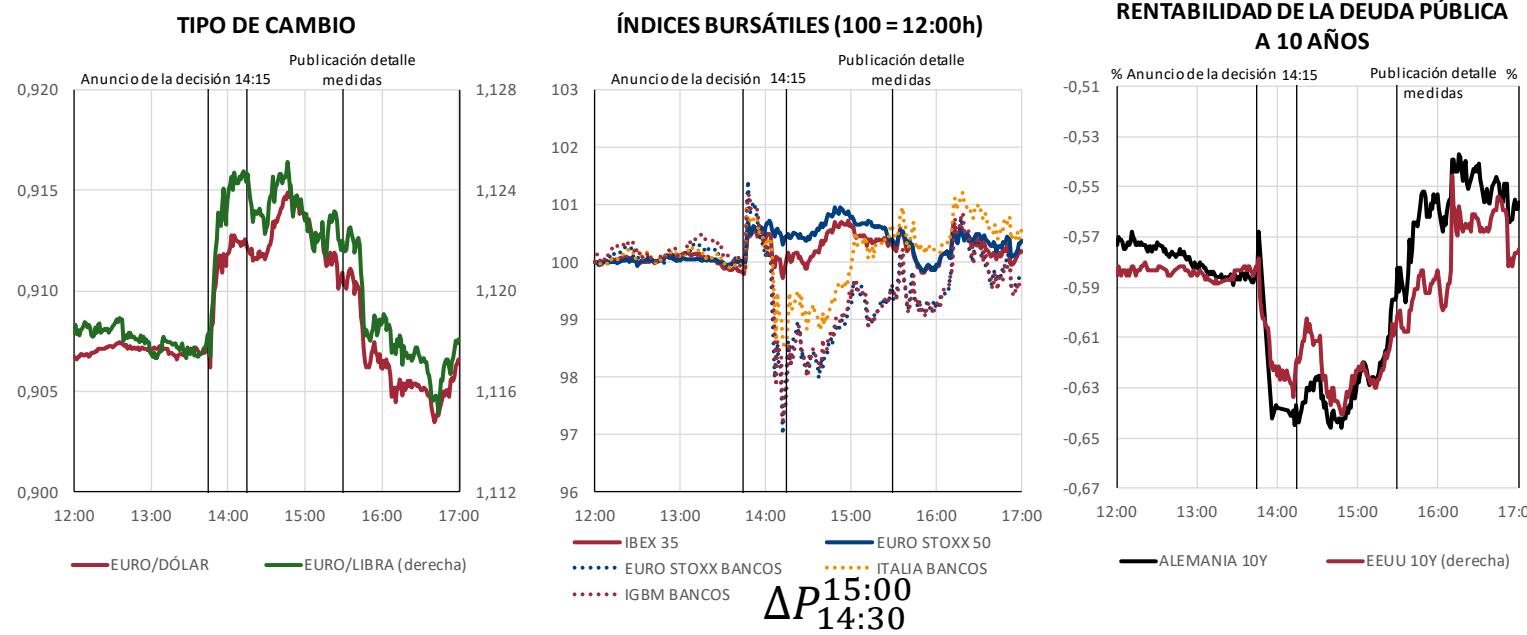
Banca d'Italia  
Rome, October, 21<sup>st</sup>, 2019



## THE SET UP



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$\Delta P_{15:00}^{15:30}$   
 $\Delta P_{14:30}^{15:00}$

14:30 -15:00 Impact of the  
Introductory Statement  
(forward guidance)

15:00 -15:30  
Impact of the Q&A  
(FG consistency)

13:45 -14:30 Impact  
of the Monetary  
Policy Decisions

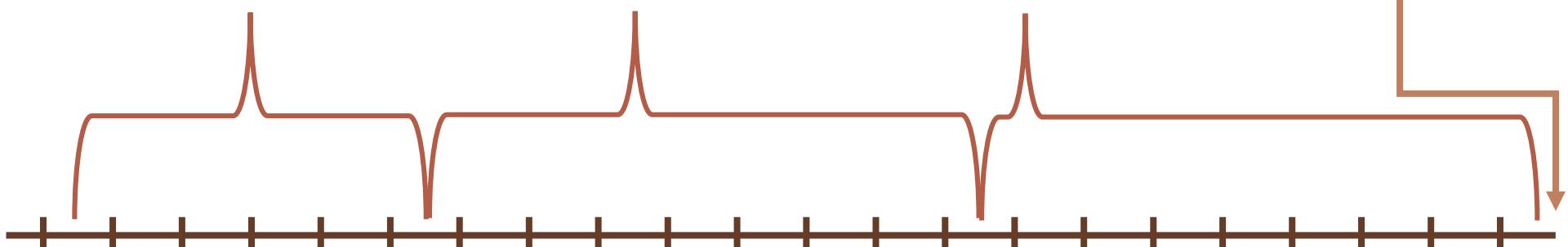
13:00

14:00

15:00

16:00

## THE SET UP



1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

## Supervised classifications:

### 1. AFINN Measure

### 2. Loughran Measure

### 3. Hawk-Dove Measure

recession slowdown households downward  
household household  
horizon  
risks  
geopolit  
dow nside  
fiscalpolicy  
macroecon  
gdp  
**fiscal**  
**econom**  
economy  
economist  
deficits  
unemploy

centralbanks  
centralbank  
loans  
banks  
finances  
profitability  
refinancing  
titros  
titro's  
financing  
titros  
loan  
lend  
banking  
funding  
**negativ**  
**bank**  
**financial**

titros  
depositors  
limits  
**program**  
**purcha**  
**asset**  
deposit  
reinvesting  
titro's  
forward  
programme  
symm  
muted  
achiev  
mute  
**mandate**  
**conv**  
**anchoi**  
deflation

## Hawk-Dove Measure:

### Dovish Terms:

- Accommodation
- Recession
- Devastation
- Unemployment
- Downturn

### Hawkish Terms:

- Business
- Economy
- Equity
- Housing
- Inflationary
- Manufacturing
- Prices
- Securities
- Toll
- Businesses
- Employment
- Expansion
- Income
- Investment
- Outlook
- Production
- Slack
- Wage
- Demand
- Energy
- Financial
- Indicators
- Investments
- Output
- Recovery
- Spending
- Wages
- Economic
- Equities
- Growth
- Inflation
- Labour
- Price
- Resource
- Target

What is the correlation between:

1. AFINN Sentiment Measure
2. Loughran Sentiment Measure
3. Loughran Uncertainty Measure
4. Hawk-Dove Index

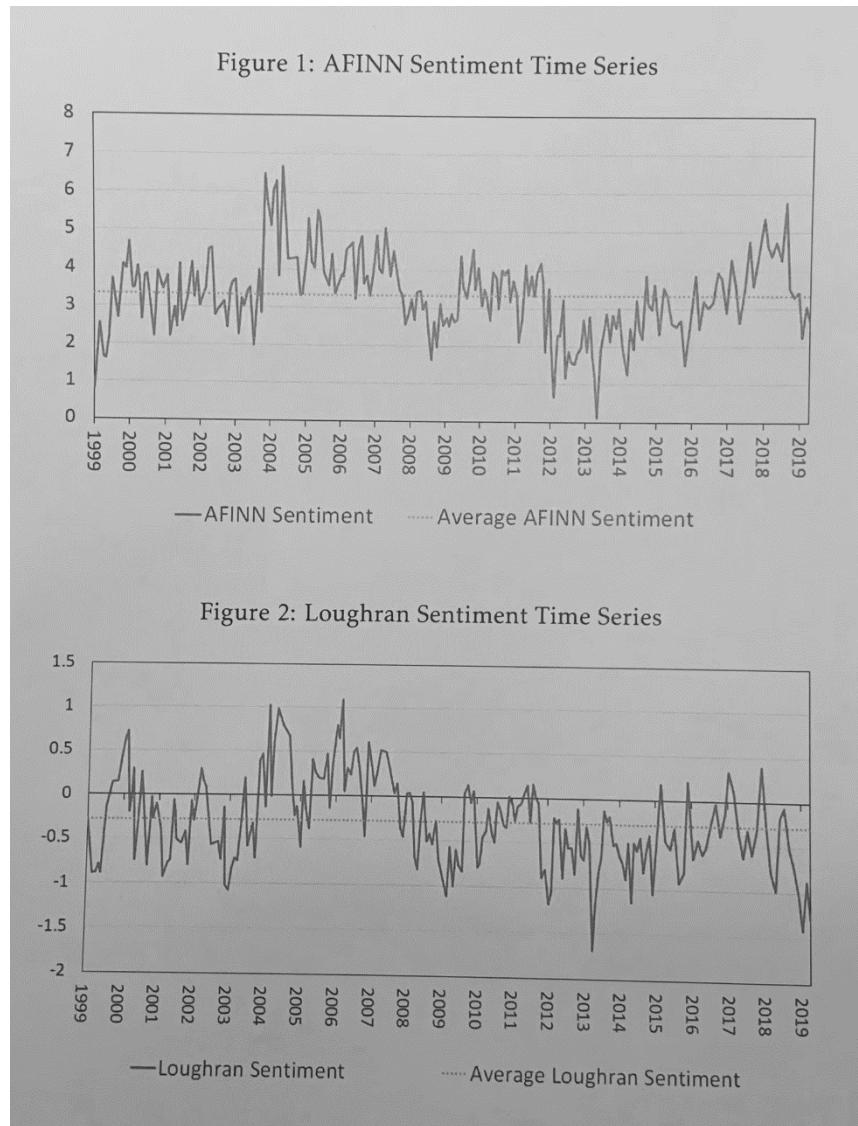
What is the correlation between the topical tone:

- |                                |                                   |
|--------------------------------|-----------------------------------|
| 1. Economic Analysis           | 7. Price Information              |
| 2. Structural Reforms          | 8. Global Macro                   |
| 3. Monetary Policy Information | 9. Price Stability                |
| 4. Monetary Analysis           | 10. Fiscal Consolidation          |
| 5. Adminstrative               | 11. APP                           |
| 6. Financial Markets           | 12. Monetary Policy Information 2 |

## Baseline Results

Sentiment Measures tend to be quite volatile

1. Use different experts with different judgements on the hawkish/dovish and positive/negative nature of words. Use Cronbach alpha to measure the Validity
2. Construct confidence intervals by bootstrapping the words used.
3. Filter the signal/noise in the sentiment series. Select those words with the higher degree of signal to noise ratio
4. Go unsupervised, by selecting the words that are better aligned with the market reactions.



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Thank you for your attention!