

# Accepted Manuscript

Relief Rallies after FOMC Announcements as a Resolution of Uncertainty

Chen Gu, Alexander Kurov, Marketa Halova Wolfe

PII: S0927-5398(18)30060-4

DOI: <https://doi.org/10.1016/j.jempfin.2018.08.003>

Reference: EMPFIN 1070

To appear in: *Journal of Empirical Finance*

Received date: 20 January 2018

Revised date: 15 August 2018

Accepted date: 28 August 2018

Please cite this article as: Gu C., Kurov A., Wolfe M.H., Relief Rallies after FOMC Announcements as a Resolution of Uncertainty. *Journal of Empirical Finance* (2018), <https://doi.org/10.1016/j.jempfin.2018.08.003>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



## Relief Rallies after FOMC Announcements as a Resolution of Uncertainty

Chen Gu, Alexander Kurov\* and Marketa Halova Wolfe

First version: December 10, 2015

This version: September 6, 2018

### Abstract

We find substantial positive average stock returns after FOMC announcements accompanied by the release of the Summary of Economic Projections (SEP) and press conference by the Fed Chair. Both SEPs and press conferences contain new information that moves financial markets. We show that several measures of uncertainty are significantly higher on days of FOMC announcements accompanied by SEP and press conference than on announcement days without SEP and press conference. Controlling for changes in uncertainty measured by VIX changes, the positive unconditional mean returns after the FOMC announcements with SEP and press conference disappear. We also find that stocks correlated with market uncertainty shocks have higher returns on days of FOMC meetings with SEP and press conference. These results suggest that the positive post-announcement stock market returns are related to resolution of uncertainty.

*JEL classification:* E44; E52; E58; G14; G18

*Keywords:* Summary of economic projections; Monetary policy; FOMC meetings; Communication; Stock returns; Uncertainty

---

\*Corresponding author. Department of Finance, College of Business and Economics, West Virginia University, P.O. Box 6025, Morgantown, WV 26506, Tel: 304-293-7892, Fax: 304-293-3274, e-mail: [alkurov@mail.wvu.edu](mailto:alkurov@mail.wvu.edu).

We thank Gene Birz, Alexandros Kontonikas, Eric Olson, Alessio Sancetta, seminar participants at the 2016 meetings of the Financial Management Association, the associate editor and an anonymous referee for helpful comments and suggestions. Errors or omissions are our responsibility.

Chen Gu is an assistant professor of finance at Shanghai Business School, Research Center of Finance. Most of the work on this paper was completed when Chen Gu was a doctoral student in finance at West Virginia University.

Alexander Kurov is a professor of finance in the Department of Finance, West Virginia University, Morgantown, West Virginia.

Marketa Halova Wolfe is an assistant professor of economics in the Department of Economics, Skidmore College, Saratoga Springs, New York.

Download English Version:

<https://daneshyari.com/en/article/10226791>

Download Persian Version:

<https://daneshyari.com/article/10226791>

[Daneshyari.com](https://daneshyari.com)