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Understanding the impact of monetary policy announcements: The importance of language and surprises

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Highlights

- Monetary policy announcements have a significant impact on financial markets.
- The complexity of monetary policy announcements has changed over time.
- We introduce novel measures of language complexity to understand the announcement effect on liquidity provision.
- Target rate surprises and the complexity of announcement language are important determinants of this effect.
- The effect of language complexity is consistent with Kim and Verrecchia (1994)

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