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Central Bank Communication and Financial Markets: New High-Frequency

Evidence

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The online Appendix with all our regression results is available at <http://ies.fsv.cuni.cz/en/staff/horvath>.

Abstract

This paper examines the financial market impact of intermeeting communication of the members of the European Central Bank's Governing Council (GC) using high frequency data between July 2008 and January 2014. Constructing a rich dataset of GC members' public statements (speeches, conference discussions and media interviews) between monetary policy meetings allows us to investigate a detailed pattern of market responses to the ad-hoc communication of central bankers. Using least squares and quantile regressions, we document the impact of policymakers' public statements on interest rates and the stock market with very little or no impact on exchange rates. In general, we find little evidence that the timing, sequencing or content of communication matters in immediate response. On the contrary, the results suggest that the market concentrates on the communication of key members of the committee.

Keywords: central bank, communication, European Central Bank.

JEL Codes: C1, E5, G21.

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