Non-Monetary News in Central Bank Communication

Preliminary

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We quantify the importance of non-monetary news in central bank communication. Using evidence from four major central banks and a comprehensive classification of events, we decompose central bank communication into news about (i) monetary policy, (ii) economic growth, and (iii) shocks to risk preferences. Our approach exploits high-frequency comovement of stocks and interest rates combined with monotonicity restrictions across the yield curve. We find significant differences in news composition depending on the communication channel used by central banks. Non-monetary news prevails in about 40% of policy decision announcements by the Fed and the ECB; this fraction is even higher for communications that provide context to policy decision such as press conferences. We show that non-monetary news accounted for a major part of financial markets' reaction during the financial crisis and in the early recovery, while monetary shocks have gained importance since 2013.

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This paper proposes a new approach to help understand the information content of central bank communication. Drawing on the joint dynamics of bonds and equities at high frequency, we quantify the importance of different economic shocks that drive the response of financial markets to communication events. Specifically, we classify the information revealed by central banks into news about monetary policy, news about economic growth and shocks to risk preferences. Our evidence relies on a comprehensive set of communication events from the main four central banks: the Federal Reserve (Fed), the European Central Bank (ECB), the Bank of England (BOE) and the Bank of Japan (BOJ).

As the key result, we show that more than half of communication events are dominated by non-monetary news—a term we use to collectively describe news about economic activity and shocks to risk preferences. We find significant differences in the news composition across different communication tools and over time. Monetary news prevails in the announcements of monetary policy decisions. News about economic growth, instead, is the dominant piece of information gleaned by the markets during press conferences, and other communication events whose aim is to explain the context of policy decisions. Risk preference shocks exert large non-linear effects on asset prices and their importance increases with the implementation of unconventional monetary policies.

Furthermore, we document that the news content of central bank announcements varies significantly over time. Studying the period of the financial crisis and its aftermath, we uncover a break in the composition of central bank news that occurs around mid-2013. Specifically, we find that non-monetary news drives communication in the period from 2008 through mid-2013, while from mid-2013 through the end of our sample in 2017 the role of monetary news gains prominence. We causally associate this shift to the market's anticipation and then the actual announcements of the exit from policy accommodation.

Our approach to dissecting the news content of central bank communication exploits high-frequency comovement of stocks and interest rates (on government bonds) combined with monotonicity restrictions across the maturity dimension of the yield curve. To summarize the joint dynamics of stocks and the yield curve, we introduce the notion of the term-structure of stock-yield covariances. Building on a simple macro-finance framework, we then argue that a conventional monetary policy shock should induce a negative comovement of stocks and yields that is most pronounced at short maturities. A growth shock—more broadly, news about economic activity—should induce a positive comovement that either has a decreasing or a humped effect across maturities. Finally, a risk preference shock (e.g., an increase in risk aversion) is expected to move stocks and yields in the same direction, but more so at long maturities, as in the flight-to-safety or "risk-off" episodes. We derive economic restrictions on the joint dynamics of the macroeconomic factors, monetary policy and asset prices necessary

to support this intuition, and argue that these restrictions plausibly hold true during the period of our analysis.

The idea of using the comovement of stocks and interest rates to discriminate between the types of economic shocks builds on the seminal work of Rigobon and Sack (2003, 2004). Rigobon and Sack (2003) distinguish between monetary policy shocks versus shocks originating in the stock market. They posit that the covariance between interest rate changes and stock returns is negative when the variance of policy shocks increases, and it is positive when the variance of stock market shocks increases. To implement their identification, Rigobon and Sack (2004) assume that the variance of policy shocks naturally increases around major Fed communication events such as days of the Federal Open Market Committee's (FOMC) policy decisions.

We take a more granular approach to central bank communication. By relying on high-frequency data, we are able to observe stock-yield comovement at the level of a single event. This leads us to identify those central bank announcements that are in fact not dominated by monetary news. For example, focusing only on scheduled FOMC announcements, we find negative stock-yield comovement for 60% of events, consistent with the monetary policy channel; however, the remaining 40% suggest a non-trivial role of non-monetary news as well. This distinction becomes even more pertinent to understanding the news conveyed at the central bank press conferences. As one prominent example, press conferences by the ECB convey non-monetary content in more than 65% of the cases, with growth and risk premium news carrying the largest weight in terms of economic significance.

To facilitate our analysis, we compile a comprehensive database of monetary policy events by the four main central banks spanning the period from the late 1990s through the end of 2017. We classify events on several dimensions. At the basic level, we distinguish events by types of communication tools, most importantly (i) statements of monetary policy decisions, (ii) press conferences, (ii) releases of minutes of the policy meeting and, in the case of the BOE, inflation reports. We further introduce a classification of unconventional policy interventions, e.g., distinguishing between the phases of asset purchases' programs. We additionally characterize announcements by whether they are accompanied by forward guidance. Importantly, we find that although many of the unconventional policy announcements had a significant non-monetary content, forward guidance worked as a powerful monetary policy shock.

Our findings have several implications worth highlighting. Most importantly, common event-window identification based on responses of short-term rates confounds monetary policy shocks with other information transmitted by central bank announcements. One natural example are the so-called "path shocks" that are identified from their effect on yields beyond the shortest maturities (Gürkaynak et al., 2005a). Given that news about growth,

news about the future course of policy and shocks to risk premia can all affect yields at longer maturities, path shocks can arise as a combination of several "structural" shocks. Our results indicate that the non-monetary news dominates unless central banks employ explicit forward guidance. Using the maturity dimension of the yield curve together with the comovement between yields and stocks helps disentangle those economically distinct pieces of new information. Our results also suggest that caution needs to be employed when measuring monetary policy shocks by lower frequency responses of interest rates (e.g., daily frequencies). With monetary policy decision announcements now commonly followed by a press conference, we show that the news content of those two communication channels can be very different despite their proximity in time. Additionally, at daily frequencies, risk-preference shocks may obscure other information effects.

Arguably, the relevance of central bank communication has risen significantly over the past decade as policy goals and associated operations have become more complex. Constrained by the effective lower bound, major central banks have resorted to unconventional measures. Communicating these policies poses a challenge, as evidenced by the rise in the verbosity of policy statements. In one manifestation of these trends, market participants assign a high weight to policymakers' press conferences. New empirical methods are needed to quantify the effects of monetary policy, especially when monetary shocks—traditionally aimed at affecting interest rates—can be confounded by other information. The paper provides a step in this direction.

Related literature. A growing literature studies the role of central bank information effects, i.e. the notion that central bank announcements reveal relevant information about the economy that is not in the information set of the public. Campbell et al. (2012) document that tightening shocks by the Fed increase output growth expectations and decrease unemployment expectations of professional forecasters. This finding is inconsistent with the standard monetary transmission whereby a tightening leads to a drop in output relative to potential. In a follow-up work, Campbell et al. (2017) call this "the event-study activity puzzle," and argue that by observing a tightening, investors revise their economic projections upwards and mark up their expectations of future interest rates. Miranda-Agrippino and Ricco (2018) show that such information effects distort the identification of monetary transmissions. To recover a pure monetary policy signal, they control for central bank's private information using survey forecasts. Nakamura and Steinsson (2018) propose a model in which monetary policy announcements convey information about both future monetary policy and economic fundamentals, which in turn affects the natural real rate.

Those studies suggest that the central bank information effect works through short-rate expectations. Hanson and Stein (2015) take a different view. They argue that monetary policy

affects bond risk premia, and hence can exert a significant effect on long-term interest rates. Our results help reconcile these seemingly opposing views by quantifying the importance of monetary news, growth news and news affecting risk preferences. Moreover, we show that the relative importance of each of those channels varies significantly across the communication tools used by central banks.

Several authors exploit the comovement of stocks and interest rates to distinguish between growth and monetary policy shocks. Matheson and Stavrev (2014) propose to use a bivariate VAR with sign restrictions on the structural covariance matrix of shocks. The VAR is estimated with S&P 500 index and 10-year US Treasury yields to study the events around the so-called taper tantrum. In a related fashion, Jarocinski and Karadi (2018) impose sign restrictions on short-term rates and stocks, which they then embed within a more complex VAR that also includes macro variables. Our approach complements these studies in several ways. First, we exploit the high-frequency covariance structure of shocks to stocks and yields. Second, we draw upon the entire maturity dimension of the yield curve, which allows us to take a stance on the role of risk-preference shocks induced by policy communication. Finally, we document differences in the types of news coming out via distinct communication channels, and study these channels across the main central banks.

The remainder of this paper is structured as follows. Section I presents a simple conceptual framework of the joint dynamics of stocks and yields that guides the subsequent empirical analysis. Section II introduces our database of central bank communication events and describes the intraday data on equity and fixed income futures. Section III reviews the reaction of stock returns and yields changes to different types of central bank communication. Section IV discusses our core results on the effect of communication on stock-yield covariances across the term structure. It also classifies communication events by the types of economic news they transmit, and takes a closer look at stock-yield comovement during various phases of unconventional monetary policies. Section VI concludes.

I. Conceptual framework

Market commentary frequently asserts that stocks and government bond yields co-move positively in response to news about economic activity and changes in "risk appetite," and negatively in response to news about monetary policy. A positive growth shock (good economic news) jointly moves yields and stocks higher; a positive monetary policy shock (tightening) moves yields up and stocks down; a positive risk aversion shock (decline in risk appetite) moves yields and stock returns down as in "flight-to-safety" or "risk-off" episodes.[1]

[1]For example, on Sep 6, 2016, the WSJ wrote: "A generation of traders have grown up with the idea that stock prices and bond yields tend to rise and fall together, as what is good for stocks is bad for bonds

This section discusses the economic intuition behind this narrative. We summarize the necessary restrictions on macroeconomic factors and on risk premia that determine the joint behavior of the yield curve and the stock market. We also highlight how the maturity dimension of the yield curve can help identify the effect of different shocks. Building on these results, we then quantify the importance of different types of shocks released via central bank communication.

I.A. Basic news decompositions for yields and stocks

Let i_t denote the nominal one-period short-term interest rate, and let π_{t+1} denote the log change in the price level from t to $t+1$. The ex-ante real rate, r_t, is defined as the nominal short rate less one-period expected inflation, $r_t := i_t - E_t(\pi_{t+1})$. Based on yield curve arithmetics (e.g., Campbell and Ammer, 1993), we can link the n-period nominal yield to inflation expectations, real rate expectations, and expected bond returns:

$$y_t^{(n)} = \frac{1}{n}\sum_{i=1}^{n} E_t(\pi_{t+i}) + \frac{1}{n}\sum_{i=0}^{n-1} E_t(r_{t+i}) + \frac{1}{n}\sum_{i=1}^{n-2} E_t(ex_{t+i}^{(n-i+1)}), \tag{1}$$

where $ex_{t+1}^{(n)} = -(n-1)y_{t+1}^{(n-1)} + ny_t^{(n)} - i_t$ represents a one-period excess return on an n-period bond. The third term in (1) is usually referred to as the term premium. The decomposition shows that yield curve shocks, denoted $\tilde{y}_{t+1}^{(n)}$ below, arise from shocks to expected inflation, shocks to expected real rate and/or shocks to the term premium:

$$\tilde{y}_{t+1}^{(n)} := y_{t+1}^{(n)} - E_t(y_{t+1}^{(n)}) = u_{\pi,t+1}^{(n)} + u_{r,t+1}^{(n)} + u_{tp,t+1}^{(n)}. \tag{2}$$

Let r_{t+1}^s denote the total log return on the aggregate stock market, pd_t the log price-dividend ratio, and Δd_{t+1} the aggregate log dividend growth rate; r_{t+1}^s and Δd_{t+1} are expressed in real terms. Following Campbell and Shiller (1988), the log price-dividend ratio is given by

$$pd_t = \frac{\kappa_0}{1-\kappa_1} + \sum_{j=1}^{\infty} \kappa_1^{j-1} E_t\left(\Delta d_{t+j} - (ex_{t+j}^s + r_{t+j-1})\right), \tag{3}$$

where ex_{t+1}^s is the stock excess return with $ex_{t+1}^s = r_{t+1}^s - r_t$ and κ_0, κ_1 are linearization constants. With log-linearization, $r_{t+1}^s \approx \kappa_0 + \kappa_1 pd_{t+1} + \Delta d_{t+1} - pd_t$, shocks to stock returns, $\tilde{r}_{t+1}^s$, are driven by news about future cash-flows (dividends), real rates and excess returns (risk premia):

(pushing the price down and yield up), and vice versa." See:
https://www.wsj.com/articles/time-to-worry-stocks-and-bonds-are-moving-together-1473113278.

$$\tilde{r}^s_{t+1} := r^s_{t+1} - E_t(r^s_{t+1}) = u^s_{d,t+1} - u^s_{r,t+1} - u^s_{ex,t+1}. \tag{4}$$

I.B. Comovement of stocks and bond yields in response to shocks

Equations (2) and (4) follow from present-value accounting, and have no structural interpretation. We now discuss how meaningful economic shocks are expected to affect those reduced-form objects. To provide intuition for our empirical approach, we only highlight the main effects. A simple model that formalizes this intuition is deferred to Section V.

Our discussion is tailored to the properties of the joint dynamics of stock returns and bond yields in the sample from the late 1990s, which is the period of focus in our empirical analysis. For simple notation, we denote shocks to monetary policy, growth and risk preferences as $\epsilon^m_t, \epsilon^g_t$ and ϵ^p_t, respectively.

Monetary policy shocks. Conventional monetary policy shocks operate by changing the real short rate r_t. A monetary tightening depresses stock prices by increasing the risk-free component of discount rates ($\frac{\partial \tilde{r}^s}{\partial \epsilon^m} < 0$ as $\frac{\partial u^s_r}{\partial \epsilon^m} > 0$). Yields increase across maturities ($\frac{\partial \tilde{y}^{(n)}}{\partial \epsilon^m} > 0$ as $\frac{\partial u^{(n)}_r}{\partial \epsilon^m} > 0$). To the extent that the real rate is persistent but mean-reverting, the effect of such shocks is larger at the short end of the yield curve than it is at the long end ($\frac{\partial \tilde{y}^{(k)}}{\partial \epsilon^m} > \frac{\partial \tilde{y}^{(l)}}{\partial \epsilon^m} > 0$ for $k < l$).[2] Such intuition of how conventional monetary policy shocks propagate across the term structure is confirmed by a number of studies (e.g., Rigobon and Sack, 2004; Gürkaynak et al., 2005a).

Growth shocks. According to the Gordon growth model, positive shocks to expectations about economic growth raise stock prices via the cash-flow news channel ($\frac{\partial u^s_d}{\partial \epsilon^g} > 0$). This effect, however, is dampened by the degree to which such shocks also lead to an increase in the real rate ($\frac{\partial u^s_r}{\partial \epsilon^g} > 0$). The first effect dominates (and hence $\frac{\partial \tilde{r}^s}{\partial \epsilon^g} > 0$) if the real rate does not adjust one-for-one with growth expectations. Empirical estimates of various specifications of the Taylor rule suggest that this condition plausibly holds in the data (Clarida et al., 2000; Coibion and Gorodnichenko, 2011). The effect of real activity news on the yield curve is typically found to be hump shaped, declining from the short-to-intermediate-maturity segment (2–3 years) through the long-maturity segment of the yield curve (e.g., Fleming and Remolona, 2001; Gürkaynak et al., 2005b) (i,e., $\frac{\partial \tilde{y}^{(k_1)}}{\partial \epsilon^g} < \frac{\partial \tilde{y}^{(k_2)}}{\partial \epsilon^g} > \frac{\partial \tilde{y}^{(k_3)}}{\partial \epsilon^g}$ for $k_1 < k_2 < k_3$, and $\frac{\partial \tilde{y}^{(k)}}{\partial \epsilon^g} > 0$ across maturities).

Risk preference shocks. By risk preference shocks, we mean shocks to risk appetite/risk aversion or changes in sentiment that are uncorrelated with other fundamental shocks in the

[2] With the zero lower bound, the effective short-end of the yield curve shifts toward longer maturities.

economy.[3] The effect of such shocks on stocks and yields depends both on assets exposures to them and their pricing by investors. On the notion that bonds become valuable when premia on risky asset increase (as in flight-to-safety episodes), risk preference shocks are expected to move stocks and yields in the same direction. The key mechanism is that bonds provide a hedge against those shocks that make stocks risky. To the extent that stocks do well in expansions, when marginal utility is low, and poorly in recessions, when marginal utility is high, equity investors require compensation for facing recession risk ($\frac{\partial \tilde{r}^s}{\partial \epsilon^p} < 0$ as $\frac{\partial u^s_{e,r}}{\partial \epsilon^p} > 0$). When inflation is procylical, as during the period we study (e.g., Campbell et al., 2017), nominal bonds hedge recession risk and provide insurance in bad times ($\frac{\partial u^{(n)}_{tp}}{\partial \epsilon^p} < 0$). This effect is expected to be stronger at longer maturities (so $\frac{\partial \tilde{y}^{(l)}}{\partial \epsilon^p} < \frac{\partial \tilde{y}^{(k)}}{\partial \epsilon^p} < 0$ for $l > k$).[4]

The table below summarizes the expected effects of shocks on stocks and the yield curve (the size of arrows indicates the strength of the effect at short and long yield maturities):

Shock	Yields		Stocks	Comovement
	Short/Intermed.	Long		of stocks and yields
Monetary policy: $\epsilon^m_t \uparrow$	$\uparrow$	$\uparrow$	$\downarrow$	$-$
Growth: $\epsilon^g_t \uparrow$	$\uparrow$	$\uparrow$	$\uparrow$	$+$
Risk preferences:*: $\epsilon^p_t \uparrow$	$\downarrow$	$\downarrow$	$\downarrow$	$+$

*A positive preference shock is normalized such that it implies an increase in the risk premium on risky assets.

In sum, stocks and bond yields co-vary *negatively* in response to monetary policy shocks, but *positively* in response to growth and preference shocks. While the comovement of stocks with a single yield of a specific maturity does not immediately allow to distinguish between growth and risk preference shocks, such distinction can be drawn by studying jointly the comovement of stocks with yields across maturities. We refer to this object as the term structure of stock-yield covariances. As we argue, studying how central bank communication affects this object is useful to infer the nature of the underlying economic shocks.

[3] This interpretations follows the lines of Lettau and Wachter (2007) or Albuquerque et al. (2016). Using the terminology common among market participants, risk preference shocks can also be linked to the "risk-on/-off" behavior frequently observed over the past decade with investors switching between safe and risky assets (e.g., Kroencke et al., 2018).

[4] Section V provides more intuition for the effect of preference shocks across the term structure. The fact that the effect of risk premia on the yield curve increases with maturity is documented by Cieslak and Povala (2015, 2016), Hanson and Stein (2015), among others. In support of bonds being hedges, empirical estimates of bond risk premia in the US show that they declined and even turned negative over our sample period (Kim and Wright, 2005; Cieslak, 2018).

II. Data

II.A. Monetary policy events database

We compile a comprehensive database of time-stamped communication events by major central banks. We focus on the central banks of the two main currency areas, the Fed, and the ECB, and we complement the analysis by studying the BOJ and the BOE. Our sample period runs from September 1997 through December 2017, although starting dates differ across countries due to the availability of high-frequency data on futures. The overall number of events is 1,963.

Construction of the event dataset. Our main source of communication events is the Bloomberg economic calendar. In instances where the event coverage provided by Bloomberg is incomplete (e.g., for the BOJ), we collect information from central bank websites. We conduct extensive cross-checking of events in Bloomberg with both central bank websites as well as extant studies such as Rogers et al. (2014) and Ferrari et al. (2016), complementing the list of events where appropriate. Partly drawing on the two above-mentioned papers, we further compile a list of unconventional monetary policy (UMP) events, such as news about asset purchases, provision of term liquidity for banks or forward guidance about the future path of policy rates. During our sample, it has been common to unveil UMP news not only at scheduled policy announcements, but also through speeches or other communication channels. We classify these events accordingly in our database.

Distinguishing by type of central bank communication. An important part of our analysis relies on distinguishing events by types of central bank communication. The most basic classification we use is by (i) monetary policy decisions (MPD), (ii) press conferences (PC), and (iii) releases of the minutes of policy meetings (MIN). For the BOE, we also include the releases of the inflation report (IR), which constitutes an important piece of information that financial markets in the UK pay attention to. Table I presents an overview of the number of events in these categories.

[Insert Table I about here]

The Fed holds eight scheduled FOMC meetings per year (with six unscheduled FOMC meetings during our sample). It publishes MPD statements, and (with a delay) minutes of the FOMC meetings. FOMC statements contain 12 sentences on average, and have been increasing in length since the financial crisis. Press conferences are a relatively new development for the Fed, first introduced in April 2011. Until 2011, statements were regularly released at 14:15 New York time. The release time changed in 2011, alternating between

12:30 and 14:15 depending on whether the meeting was followed by a press conference; currently statements are published at 14:00, with the press conference at 14:30.[5]

Press conferences have historically played a key role in the communication strategy of the ECB. Compared to the Fed, the ECB's MPD statements are short as the press conference serves to transmit further information to the public (e.g., Brand et al., 2010). While the average length of the ECB's MPD announcement is less than three sentences, transcripts of the ECB's press conference (including introductory statement and the Q&A part) contain on average 230 sentences.[6] With a few exceptions, the ECB announces its policy decisions at 13:45 Frankfurt time, whereas the press conference begins at 14:30. The ECB has no history of releasing minutes of the policy meeting.[7]

Publishing minutes of the policy meeting has been common practice of the BOE. In recent years, the BOE has also made increasing use of verbal communication. Since August 2015, a press conference is regularly held after those policy meetings when the BOE's inflation report is published. Interest rate decisions are announced at 12:00 London time and the press briefing begins at 12:45. Market commentary confirms that such "Super-Thursdays"—when the policy decision is coupled with the publication of the inflation report and the minutes—are particularly news-intensive and, hence, market reactions are more pronounced. The BOJ has also regularly published minutes since at least 2002, and has held press conferences since at least 2003.

II.B. High-frequency data

We obtain high frequency data for equity and interest rate futures from TickData. The coverage of maturities for interest rate futures differs by country. For the US, we have futures on Treasury bonds with maturities of 2, 5, 10 and 30 years as well as 3-month Eurodollar futures and S&P 500 E-mini futures for the stock market. For the euro area, we obtain futures on German bonds with maturities of 2, 5 and 10 years, as well as 3-month Euribor futures, and DAX index futures for the stock market. The coverage of bond maturities is scarcer for the UK and Japan. For the UK, we have Sterling 3-month futures and Long Gilt futures for bonds and FTSE 100 index futures for stocks. For Japan, we use 10-year

[5]Until June 2018, the Fed held a press conference after every second FOMC meeting. At its June 2018 meeting, Chairman Powell announced that the Fed will hold a press conference after every meeting starting from January 2019.

[6]Appendix Figure B-1 shows the number of sentences contained in the FOMC statements and ECB decision announcements and press conferences.

[7]Since November 2015, the ECB publishes the so-called account of the monetary policy meeting. The released information, however, is less granular than minutes published by other major central banks (e.g., the BOJ discloses votes of different members of the policy committee on key decisions by name).

bond futures and TOPIX equity futures. Table A-1 in the Online Appendix summarizes the available data.

Bond futures are written on a hypothetical government bond which pays coupon. To convert futures returns into yield changes, we divide log futures price changes by the negative of duration. Duration data are obtained from Bloomberg at the daily frequency using futures equivalent duration based on the notional. While bonds underlying futures contracts are not zero coupon, for simplicity, we label yield changes approximated in this way by referencing the maturity of the underlying.

III. Asset price responses to central bank communication: An overview

We first review the evidence that central bank communication events induce significant responses of stocks and yields. We document how the strength of those reactions differs by the type of communication and across the maturity structure.

For each central bank in our sample, we estimate regressions of absolute stock returns and absolute yield changes on a dummy variable indicating a particular communication type: monetary policy decisions, press conferences, minutes or inflation reports. For announcements of monetary policy decisions, returns are computed from -15 to +15 minutes around the event. For press conferences, minutes and inflation report releases, they are computed over a longer window, from -15 to +90 minutes, given that these communications tend to contain broader information, and hence may take longer for investors to process.

Figure 1 summarizes the main results, while estimation details are discussed in Online Appendix B. Bars in each plot show the *incremental* effect of communication events (in basis points) relative to the baseline variation in asset prices absent central bank news, along with 95% robust confidence intervals.[8] The numbers superimposed on the bars report the increase in absolute returns (or yield changes) around a given communication event relative to other days (e.g., "2" means that average absolute returns are 200% higher on average around, say, press conferences than their variation on non-announcement days).

[Insert Figure 1 about here]

[8]To control for the baseline variation on days without central bank news, returns and yield changes on those non-event days are constructed for the same window length as the event returns. To avoid dependence of the results on a particular time of day, control returns are sampled three times per day at 10:00, 12:00 and 14:00 local time. These are the conventions that we also follow elsewhere in the paper, unless otherwise noted. The control group excludes all local cental bank announcements contained in our event database. Using the US as an example, we exclude days with announcements by the Fed but not by other central banks. We have verified that excluding days with announcements by all central banks does not significantly change the results.

Fed. Both stocks returns and yield changes become significantly more volatile around Fed communication events compared to other days (Panel A of Figure 1). The response is strongest around MPDs, followed by PCs[9] and then by minutes releases. Absolute stock returns are 24 bps higher around MPDs and 21 bps higher around PCs, representing an increase of 137% and 97% compared to non-event days, respectively. The response of stocks to minutes releases is positive, but not statistically significant.[10] Yield changes are smaller in magnitude than stock returns, as they normalize bond returns by duration. That said, the estimates for yields are large compared to the baseline variation on non-Fed days. Around MPDs, absolute yield changes are 438% higher at the two-year maturity and 293% higher at the ten-year maturity compared to non-event days. The reaction of yields to PCs is also highly significant with an increase of 260% of at the two-year and 160% at the ten-year maturity relative to the baseline. Finally, minutes releases are associated with absolute yield changes that are less than one basis point higher than on other days, but the difference remains statistically significant.

Across events of different types, the yield curve displays a hump-shaped pattern along the maturity dimension. This shape is partially due to the zero lower bound which constrained yields at shortest maturities for a significant part of our sample, as well as due to the forward guidance. But, as we explore below, it is also suggestive of Fed announcements containing news about the economy, rather than just monetary policy.[11]

ECB. At the ECB, press conferences induce much larger asset price reactions than actual decision statements (Panel B of Figure 1). Absolute stock returns are about 10 bps (31%) higher for PCs, while absolute two- and ten-year yield changes are 1.8 bps (219%) and 1.1 bps (112%) higher, respectively, than on days without ECB news. Around MPDs, instead, volatility of stocks relative to other days is not statistically higher and represents just about a quarter of the reaction around the PCs. Bond volatility picks up significantly around MPDs, with the effect most pronounced at the very short end of the term structure. Here too, however, the response is just a fraction of that observed for PCs. Also note that the yield curve responds to PCs in a hump-shaped manner, with a peak around the two-year maturity, and the weakest reaction at the ten-year maturity.[12]

[9]The regressions for the PCs are estimated on a sample starting from 2011, i.e., the year when they were first introduced.

[10]However, we find that the importance of minutes has increased over time. During the effective zero lower bound, minutes releases have seen a market reaction approximately twice as strong as that estimated over the whole sample. Therefore, we do not omit minutes in our subsequent analysis.

[11]Indeed, estimating the regressions on a sample ending in 2007 shows that the peak of the response is located at the two-year maturity.

[12]While our sample spans the financial crisis period, these results echo the earlier findings of Brand et al. (2010), confirmed more recently by the analysis of Leombroni et al. (2017).

BOE and BOJ. For the BOE, the largest reaction in basis point terms pertains to the release of the inflation report (Panel C of Figure 1). We observe a similar rise in volatility around MPD announcements. Minutes releases feature statistically significant reactions, but similar to the Fed and the ECB, the economic effect on asset prices is smaller. For the BOJ (Panel D of Figure 1), due to data limitations, we focus on policy decision announcements and minutes releases, and exclude press conferences.[13] Perhaps not surprisingly, due to persistently low rates and subdued bond market volatility in Japan over our sample, reactions of yields are just a fraction of a basis point, but they remain statistically significant. More interestingly, absolute stock returns display large increases of 12 bps (67%) at MPDs and 36 bps (111%) around minutes releases.

In sum, both stocks and the yield curve register meaningful increases in volatility on central bank communication. The results highlight significant differences across types of communication in their impact on asset prices, and across the term structure.

IV. Stock-yield comovement and the nature of monetary policy shocks

We now turn to the analysis of monetary versus non-monetary news, drawing on the comovement of stocks and yields around central bank releases. Specifically, we introduce the notion of the term structure of stocks-yield covariances, where "term structure" refers to the maturity dimension of the yield curve. This dimension, in addition to the direction of the comovement of yields with stocks, facilitates the identification of economic shocks that drive the market reaction to central bank news.

IV.A. Term structure of realized stock-yield covariances

Let τ denote the time of a communication event, and $\tau^- = \tau - h^-$ and $\tau^+ = \tau + h^+$ the time before and after the event. Divide the interval $h^+ + h^-$ into N subintervals of length $\Delta = \frac{h^+ + h^-}{N}$. The realized covariance of shocks around event τ is computed as:

$$\text{RCov}_{\tau}^{(n)}(\tau^-, \tau^+, N) = \sum_{i=0}^{N} \Delta y_{\tau^- + i\Delta}^{(n)} \times r_{\tau^- + i\Delta}^{s}, \tag{5}$$

where $\Delta y_{\tau+k\Delta}^{(n)} = y_{\tau+k\Delta}^{(n)} - y_{\tau+(k-1)\Delta}^{(n)}$ and $r_{\tau+k\Delta}^{s} = p_{\tau+k\Delta}^{s} - p_{\tau+(k-1)\Delta}^{s}$, and p^s is the log stock market index. We construct covariances by summing up the products of one-minute

[13] The BOJ's press conferences are usually held at 15:30 Tokyo time, which is the time when the market for the stock futures closes. Extending the window to the next day leads to significantly noisier estimates. Therefore, we omit BOJ's press conferences from our analysis.

yield changes with one-minute stock returns over an event window: from -15 minutes before to +15 minutes after the monetary policy decision, and from -15 minutes before to +90 minutes after other communication events (press conferences, minutes releases, BOE's inflation report). We measure both $\Delta y^{(n)}_{\tau^-+i\Delta}$ and $r^s_{\tau^-+i\Delta}$ in basis points, hence realized covariances are expressed in units of basis points squared.[14]

We focus on covariances, rather than correlations, as they reflect both the magnitude and direction of contemporaneous reactions of stock returns and bond yields to news. The interpretation of correlations is confounded by yield volatilities which are non-flat across maturities, reflecting the differential impact of short-rate expectations and term premia across the term structure (Cieslak and Povala, 2016).

IV.B. Selected events

To illustrate the information contained in the term structure of covariances, we first study their behavior around selected events, before turning to a more systematic analysis. Figures 2 and 3 showcase the types of the joint stock-yield curve dynamics in response to specific ECB and Fed events. Below, we map these events into the framework of Section I.B.

[Insert Figure 2 about here]

ECB. Panel A of Figure 2 shows the term structure of covariances around the ECB's press conference on Feb 7, 2008. The term structure is positive and hump-shaped, reminiscent of the effect of news about the economic growth. In the policy decision earlier that day, the ECB decided to leave rates unchanged, but in the press conference President Trichet expressed concern about economic growth saying: "Uncertainty about the prospects for economic growth is unusually high and the risks surrounding the outlook for economic activity have been confirmed to lie on the downside."

Panel B presents a negative covariance term structure around the monetary policy decision on Nov 3, 2011, whose magnitude declines (in absolute value) with maturity. This day marks the first decision under the incoming President Draghi when the ECB lowered its main policy rates by 25 bps—the first cut in two years. Stock markets rallied and short-term yields declined in reaction to the news, consistent with the usual effect of monetary policy news. Importantly, however, part of that reaction was reversed during the press conference as Draghi gave his recession forecast.[15] Accordingly, Panel C shows a dramatic change in

[14]The use of high frequency data to measure covariation of asset returns has been proposed by Barndorff-Nielsen and Shephard (2004). See also Corsi and Audrino (2012), among others.

[15]For contemporaneous commentary of that event, see e.g., http://money.cnn.com/2011/11/03/news/international/ecb/index.htm.

stock-yield comovement during the press conference with realized covariances switching to positive and strengthening with maturities. Through the lens of our discussion, a more pronounced comovement at the long end of the yield curve suggests risk-preference shocks as the main channel.

The influential speech by President Draghi on July 26, 2012 directly demonstrates how risk preference shocks affect the covariance term structure. Panel D displays a positive and increasing covariance term structure around that event, similar to that in Panel C. Notably, in his speech, Draghi directly referenced the "risk aversion factor" and the importance of risk premia to monetary transmission. He also reassured the public that the ECB will do "whatever it takes" to save the Euro, a promise viewed to reduce risk premia on risky assets. In what was interpreted as a major "risk-on" episode, the ten-year German yield increased by nearly 8 bps as investors switched to risky assets (DAX futures gained more than 2.3%). By contrast, the short end of the yield curve barely changed.

[Insert Figure 3 about here]

Fed. Figure 3 shows realized covariances around three Fed events. Panel A looks at the unscheduled FOMC announcement on Jan 22, 2008, when the Fed decided to lower the target rate by 75 bps on concerns about economic growth. Short-rates went down, but longer term yields increased as the stock market gained at the news. This generated a negative comovement of stocks and yields at the short end of the yield curve but a positive comovement at intermediate and long maturities, suggesting a combination of a monetary shock with news about growth and/or risk premia.

Panel B presents covariances around the scheduled FOMC announcement on Dec 16, 2008, when the Fed lowered the fed funds target rate to the 0–25 bps range. The decision was coupled with a statement that provided forward guidance about future policy: "The Committee anticipates that weak economic conditions are likely to warrant exceptionally low levels of the federal funds rate for some time." This generated a negative comovement of stocks and yields, most pronounced at the short end and declining in strength across maturities. The pattern indicates that investors weighted the news about monetary policy as the main content of the announcement, likely because the anticipation of economic weakness was already impounded into market expectations at that point.

Finally, a different interpretation pertains to the news conveyed at the scheduled FOMC announcement on Aug 9, 2011. This announcement exhibits a positive stock-yield covariance with a pronounced hump (Panel C). Indeed, the statement revealed the Fed's negative assessment of growth—"(...) economic growth so far this year has been considerably slower

than the Committee had expected." The downward revision in growth expectations was combined with forward guidance, "The Committee currently anticipates that economic conditions (...) are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013." While the growth and forward guidance elements are similar to the Dec 18, 2008 statement above, the distinct covariance structure suggests that this time the updating of growth expectations drove the market reaction.

IV.C. Properties of stock-yield comovement around communication events

We now turn to a more systematic investigation of the term structure of stock-yield covariances. We contrast properties of covariances on non-event days with their properties around policy decision announcements, and separately, around those communication events that provide background to policy decisions. We find stark differences in covariance dynamics across types of communication and over time.

Non-monetary policy days. As a baseline for subsequent results, Figure 4 presents the distributions of realized stock-yield covariances on non-monetary policy days in the US, Germany, UK and Japan. Covariances are computed over daily windows, excluding days with announcements by the respective local central bank. A large literature documents that the comovement of stocks and yields switched sign in the late 1990s from negative to positive (e.g., Andersen et al. (2007), d'Addona and Kind (2006), among others).[16] In line with those studies, Figure 4 shows positive average covariance across the four major currency areas during our sample.

A new insight from Figure 4 is that covariances generally increase with yield maturity. This suggests that, on most days, the comovement of stocks and yields stems from variation in risk premia. Indeed, Baele et al. (2010) find that while macroeconomic fundamentals contribute little to explaining the stock-bond correlations, other factors, especially liquidity proxies, play a more important role. Connolly et al. (2005) relate that fact to the "flight-to-safety" phenomenon.

[Insert Figure 4 about here]

Monetary policy decisions. The release of monetary policy decisions diametrically changes the properties of the stock-yield comovement. We illustrate this fact for the MPD announce-

[16] As a convention, we focus on the comovement between stock returns and bond *yields*, while these studies typically report comovement between stock and bond *returns*. Hence, when we report a positive sign for the stock-yield covariances, those studies report a negative sign for stock-bond (return) covariances. Using the yield convention makes the term structure aspect of covariances more explicit, given that return scale mechanically with the duration of the underlying bond, Δyield $\approx -$bond return/duration.

ments by the ECB and the Fed. Figure 5 superimposes the realized covariances for two event windows: (i) pre-event window from 24 hours to 15 minutes before an MPD announcement, and (ii) event window from 15 minutes before to 15 minutes after the announcement. The yield maturity is five years.

[Insert Figure 5 about here]

While covariances are generally positive in the pre-event window, the MPD announcement pushes them significantly lower, and most of the time, the sign changes to negative. This is the usual effect one would expect to observe with a monetary policy shock, and it is particularly clear for the ECB. Indeed, due to their brevity, EBC decision announcements offer a good laboratory for isolating monetary policy shocks as they are typically unconfounded by other information.

The stock-yield covariance reactions around the release of FOMC statements are also negative most of the time. However, around 2008, we observe a period when their sign switches to positive. Notably, this is especially visible at the unscheduled FOMC announcements. The more varied results for the Fed align with a broader scope of information conveyed in its policy decision statement.[17]

In Table II, we formally test the impact of MPDs on realized covariances, where in addition to the Fed and the ECB, we also consider decision statements by the BOE and the BOJ. We estimate the following regressions by yield maturity and by each central bank:

$$\text{RCov}_{\tau}^{(n)} = \alpha^{(n)} + \beta_{\text{MPD}}^{(n)} \mathbf{1}_{\tau,\text{MPD}} + \varepsilon_{\tau}^{(n)}. \tag{6}$$

To control for the baseline variation in realized covariances on non-monetary policy days, we construct covariances over the window of the same length as for the MPDs (i.e., -15, +15 minutes). The constant $\alpha^{(n)}$ captures the average level of covariances on non-announcement days; its estimates are consistently positive and increase in maturity, similar to Figure 4.

[Insert Table II about here]

MPD announcements push covariances significantly lower relative to the baseline, with the effect generally stronger at short maturities. The monotonic pattern of $\beta_{\text{MPD}}^{(n)}$ coefficients is clear for the ECB. For the Fed, the effect is hump-shaped, with the lowest $\beta_{\text{MPD}}^{(n)}$ coefficient at the five-year maturity. This non-monotonicity is related both to the zero lower bound as

[17] Figure B-1 in the Online Appendix compares the length of the policy decision statements by the ECB and the Fed.

well as a more complex information content of the FOMC statements compared to ECB's announcements. Policy decisions of the BOE and the BOJ also lead to a change in the sign of covariances, but the magnitude of the effect is smaller than for the ECB and the Fed.

Overall, these results corroborate the significance of the standard monetary policy channel as studied by Bernanke and Kuttner (2005), Gürkaynak et al. (2005a), and by a large related literature. While this literature commonly relies on full-sample regressions of stock returns on monetary policy shocks, and thus documents average effects, the realized-covariance approach allows us take a conditional view and trace the effects over time. This turns out to be important in analyzing other systematic communication events, which we discuss next.

Communication of the context of policy decisions. An interesting set of results applies to the analysis of those communication events whose aim is to provide the public with a context of policy decisions. Among those, we study press conferences of the ECB, minutes releases and press conferences of the Fed, minutes releases and inflation report of the BOE, and minutes of the BOJ.

[Insert Figure 6 about here]

Figure 6 plots the dynamics of stock-yield covariances around those events. The most important message from the graph is that stock-yield covariances switch sign in 2013—a consistent finding across the ECB, the Fed and the BOE. The vertical lines in the plots indicate break dates in average covariances identified with Bai and Perron (1998) test; detailed results of the test are provided in Table III.

[Insert Table III about here]

From early 2008 through 2013, the covariances are generally positive. The strongly positive comovement around the ECB's press conferences in that period is particularly noteworthy, as press conferences give almost immediate context to the actual policy decision. They are also the most significant channel of the ECB's communication in terms of its asset price impact (Figure 1). But similar behavior is seen for communications of other central banks as well. The positive sign suggests that during the financial crisis and in the early phase of the recovery, the market's perception of important news telegraphed by central banks was not mainly about monetary policy. Instead, it was dominated either by shock to growth expectations or to risk preferences.

In contrast, from early summer of 2013, communication drives stocks and yields in opposite directions.[18] This shift in sign is directly preceded by FOMC Chairman Bernanke's testimony on May 22, 2013, in which he alluded to "drawbacks of persistently low rates," causing a "taper tantrum" among investors (e.g., Feroli et al., 2014). One interpretation is that Bernanke's statement led market participants to switch focus from watching economy-related news as the driver of monetary policy to news about the path of monetary policy normalization. Indeed, in line with this interpretation, the WSJ later summarized the market situation: "When the focus is on the discount rate used to value all assets, bond and stock prices rise and fall together, creating the inverse relationship between bond yields and shares. (...) Such a focus on monetary policy isn't healthy. It leaves markets more exposed to sudden shocks, both from changes in policy and from an economy to which less attention is being paid" (WSJ, Sep 6, 2016).

[Insert Figure 7 about here]

Covariance term structures pre- and post-2013. To highlight the different effects of communication on financial markets in the pre- and post-2013 period, Figure 7 displays the distributions of the covariances across the yield curve by communication type, and over two sub-samples: from 2008 through 2012 and from 2013 through 2017. Two observations are worth making. First, the pre-2013 period is characterized by a larger dispersion in the joint responses of stocks and yields, suggesting larger heterogeneity of the news telegraphed by the central banks. Second, for all announcements other than policy decisions, the entire average term structure of covariances changes sign from positive (pre-2013) to negative (post-2013).

IV.D. Classification of central bank news based on second moment dynamics

An important question is about the relative importance of different types of news conveyed via central bank communication. Building on the intuition developed in Section I, we classify events on two dimensions—by volatility of yields across maturities and by comovement of yields with stocks. This leads to the following news classification matrix:

[18] Although the formal test for the BOE finds the break in February 2013, the large negative covariance is registered around the minutes release on Jul 17, 2013. Interestingly, one of the most pronounced negative covariance realizations post 2013 can be seen for the BOE on Aug 4, 2016. This event deserves a separate note as it marks a change in the BOE's communication as the first "Super Thursday." It also follows in close proximity to the Brexit vote on Jun 23, 2016. The negative covariance suggests a significant monetary policy shock. The market commentary highlights the unexpectedly large and diverse stimulus package by the Bank of England which provided cheap funding for banks (e.g., https://www.wsj.com/articles/bank-of-england-cuts-key-interest-rate-to-new-low-1470309155.)

Central bank news classification matrix

	Stock-yield cov > 0	Stock-yield cov ≤ 0
$\text{Var}(y^{\text{Short/Mid}}) > \text{Var}(y^{\text{Long}})$	(1,1) economic growth	(1,2) monetary policy (conventional, via short-rate expectations)
$\text{Var}(y^{\text{Short/Mid}}) \leq \text{Var}(y^{\text{Long}})$	(2,1) risk preferences (risk on/off)	(2,2) monetary policy (unconventional, via long rates/risk premia)

Specifically, we assign events into categories based on whether (i) yields comove positively or negatively with stocks, and (ii) short/intermediate yields vary more or less than long yields. While an announcement can in principle convey several types of news, it is important to acknowledge that the above classification can only help identify the *dominant* piece of news.

Quadrants (1,1), (1,2) and (2,1) of the above matrix label shocks according to their properties laid out in Section I.B. Quadrant (2,2), with the "unconventional" monetary policy category, falls outside of the types of shocks we have discussed so far—it characterizes events that move stocks and yields in opposite directions (like a monetary policy shock), but generate more volatility at long maturities (like a risk-preference shock). Such dynamics could arise when a central bank directly affects the long-end of the yield curve, for example, via purchases of long-term bonds.[19] We discuss examples of such shocks below, and more extensively in Section IV.E.

We implement this classification for the Fed and the ECB for which we have sufficient coverage of yield maturities. Before the zero-lower bound, we categorize events based on variances at the two- and ten-year yield maturity and the two-year covariance. After the (effective) zero-lower bound is reached (from Jan 1, 2009 for the Fed and from Jul 1, 2012 for the ECB) through the end of our sample, we replace the two-year maturity with the five-year maturity.[20] Similar to the realized covariances in equation (5), realized variances around events are constructed by summing up the squared one-minute yield changes over a given window.

[19] Using an event study, Gagnon et al. (2011) attribute the yield reaction to initial rounds of QE by the Fed to compression in the term premium. Based on yield curve decompositions, Christensen and Rudebusch (2012) assign a larger role to short-rate expectations as drivers of the long-term yield response for the US, but an important effect on term premia in case of the BOE's QE program.

[20] The Fed lowered the federal funds target rate to a range between 0 and 25 bps on Dec 16, 2008. The ECB decreased its deposit facility rate to zero in July 2012; we follow Lemke and Vladu (2017) in treating this as the moment when the euro area reached the zero-lower bound.

For the Fed, we separately consider scheduled FOMC announcements, and we combine minutes releases and press conferences into one group.[21] For the ECB, we distinguish between policy decisions and press conferences. Remaining events in our database are grouped together as "other," including unscheduled FOMC decisions. We report the number and frequencies of events falling into each quadrant of our classification. In addition, we also provide medians and means of stock-yield covariances by quadrant to assess the economic significance of each news category.

[Insert Table IV and Figure 8 about here]

Table IV reports the results. For an easier comparison between the Fed and the ECB and across types of communication, event frequencies and mean covariances by quadrants are also shown in Figure 8.

Several parallels between the Fed and the ECB are worth highlighting. We first focus on monetary policy decisions. Conventional monetary shocks (quadrant (1,2)) account for most of the market reaction for more than half of MPD announcements. These shocks are also the most significant channel, economically and statistically, when gauged by the average stock-yield covariance. Growth news (quadrant (1,1)) ranks second both by frequency and economic importance, and accounts for about a third of MPD announcements. For the ECB, the conventional monetary channel is by a wide margin the most important one in terms of economic significance. For example, the impact of growth news on the average stock-yield covariance is about 10% (=7.9/83.1) of that of conventional monetary news; an analogous number for the Fed is 68% (=98.7/144.7). A comparison of means and medians suggests that monetary news by the ECB generates a large negative tail in realized covariances, with few events having a dramatic impact (see also Figure 5).

Our second important observation is that the importance of conventional monetary news declines significantly in communications other than MPDs such as press conferences and minutes. Growth news dominates in more than 50% of those cases, while conventional monetary shocks represent only about 30%. This finding is particularly relevant for the ECB, where the economic importance of press conferences has been especially large relative to the MPDs.

Finally, the other two news categories—risk preference shocks (quadrant (2,1)) and unconventional monetary shocks (quadrant (2,2))—are less common, each constituting less than 20% of events across different event types. Although infrequent, these shocks can have

[21] There are only 28 press conferences in our sample. We combine them with the minutes releases, as both show similar dynamics of covariances (see Figure 6).

strong effects on asset prices. For example, for the Fed, the large negative covariance in the unconventional policy quadrant (2,2)—visible in the top right panel of Figure 8—stems from the March 18, 2009 quantitative easing announcement.[22] The economic magnitude of the risk-preference channel is especially pronounced for the ECB's press conferences (bottom right panel of Figure 8), where it accounts for some of the biggest movements in covariances during the past decade.

To summarize, the conventional monetary news channel drives the market reactions at about a half of policy decision announcements. Non-monetary news—growth and risk preference shocks—is the key component of those communications that provide context to policy decisions, press conferences being a primary example.

IV.E. Stock-yield comovement and unconventional monetary policy

We next use the comovement of stocks and yields to discriminate between the types of news conveyed via different unconventional monetary policies (UMP). Our classification of events builds on a large literature,[23] which we extend to include the latest events related to policy normalization. We rely on a granular distinction by official policy programs or well-known policy phases. We also account for whether a specific announcement contained explicit forward guidance (FG) on the path of policy rates. We do not include communication that just restated the objectives of a specific program or left the parameters of forward guidance unaltered. For brevity, we refer to the various policies using the common abbreviations of program names. These abbreviations are explained in the corresponding tables. Details of the design and goals of the interventions are discussed in Online Appendix C.

We estimate regressions of stock-yield covariances on dummy variables for a given UMP program or phase, controlling for covariances on non-monetary policy days. Covariances are measured from -15 minutes before to +90 minutes after each event.

[Insert Table V about here]

[22] On this day, the Fed announced purchases of $300bn in Treasuries, $750bn of agency MBS, increase holdings of agency debt to $200bn. On the announcement, S&P500 futures gained more than 175 bps, yields two-year bond futures dropped by 8 bps and on 30-year bond futures by more than 40 bps. In support of the announcement strongly affecting yield risk premia, Cieslak and Povala (2016) show that the term premium volatility in US Treasuries reached its 18-year peak in the week of this announcement, moving long yields significantly more than short and intermediate yields.

[23] See, e.g., Fratzscher et al. (2016), Krishnamurthy et al. (2017) for an analysis of the ECB's UMPs, and Fratzscher et al. (2018), Hattori et al. (2016), Krishnamurthy and Vissing-Jorgensen (2013), for recent studies for the Fed, among others. A survey of the literature on the effects of unconventional policies by the Fed is provided by Bhattarai and Neely (2016), while Borio and Zabai (2016) also cover studies on the UMPs of other major central banks. Bauer and Neely (2014) study the international transmission of Fed policies, while Rogers et al. (2014) study the effect of UMPs by the main four central banks.

Fed. Table V presents results for the Fed. Consistent with the literature that emphasizes significant asset price responses to the early QE announcements, the largest changes in covariances can be observed for QE1. On average, QE1 sent stocks and yields in opposite directions, in line with those announcements representing significant monetary shocks. Importantly, however, the most pronounced negative comovement occurred at those QE1 events which simultaneous contained an element of forward guidance (Dec 16, 2008 and Mar 18, 2009). QE1 announcements without forward guidance actually moved stocks and yields in the same direction, most so at the intermediate maturity, suggestive of an important growth news component.

The effect of other policy packages is generally more muted. QE2 and QE3 did not have an economically large impact. However, the MEP announcement shifted higher stock-yield covariances at the long-end, indicating that non-monetary policy content dominated the news.[24]

Table V further shows that starting from 2013, announcements pertaining to the Fed's exit from policy accommodation and to the wind-down of its balance sheet drove the stock-yield covariances into the negative territory. The break in stock-yield comovement around 2013 suggests that monetary shocks regained importance at the prospect of the monetary stimulus being removed.

[Insert Table VI about here]

ECB. Table VI reports estimates for the ECB. Unlike conventional policies, which work primarily through the short-end of the yield curve, the results in Table VI suggest that the ECB's unconventional policies operated mostly by affecting longer-term yields. Hence, we observe a stronger reaction of the longer-end of the stock-yield covariance term structure. Indeed, the comovement of stocks with the short-end of the yield curve (three-month maturity) was insignificant over the entire period of ECB's unconventional policies, including the period before the zero-lower bound. The picture looks different for maturities of two-years and beyond. As in the case of the Fed, non-monetary news dominated during the earlier phases of unconventional policies. This is the case for announcements related to the provision of US dollar liquidity, the early phases of LTROs, ECB purchases of peripheral country debt under the SMP, and later LTRO announcements that did not contain forward guidance. Similar to the Fed, however, announcements that did contain forward guidance induced negative covariances of stocks and yields. The fact that the negative comovement

[24]The first MEP-related announcement happened on Aug 9, 2011, and covariances around that event are depicted in Figure 3 and discussed in Section IV.B.

was most pronounced at long maturities indicates that the monetary policy shock worked primarily through affecting risk premia.

The results also suggest that the market reaction to the OMT program—to some degree foreshadowed by President Draghi's "whatever it takes" speech—was not about monetary policy news per se. Instead, the upward sloping term-structure of covariances suggests a shock to risk preferences as the likely explanation of the pattern we see in the data (see also Figure 2). Following the OMT-related announcements, the flight-to-safety to German government bonds subsided while stocks and other risk assets gained. Policies unveiled by the ECB after the euro area sovereign debt crisis abated, e.g., its asset purchase programs (PSPP and later CSPP), show a response consistent with monetary policy shocks as main drivers of asset price responses.

[Insert Table VII about here]

BOE and BOJ. Results for the BOE and BOJ are presented in Table VII. Due to data limitations for futures contracts, we can investigate at most two points on the stock-yield covariance term structure. Several similarities between the BOE and the Fed and ECB are worth noting. Just like in the case of the Fed and the ECB, non-monetary shocks dominate the financial market transmission in the early phases of the BOE's unconventional policies, although the statistical significance is weaker than in the previous cases. Likewise, the negative covariance in response to forward guidance is in line with a monetary policy shock as the underlying driver. The most significant and negative covariance pertains to the announcements related to APF4, which aimed to provide stimulus in the aftermath of the Brexit referendum. As such, the response undertaken by the BOE worked as a powerful monetary policy shock.

The estimates for the BOJ suggest that the QE measures—including ones conducted already prior to the financial crisis—were consistent with monetary policy shocks, driving stocks and yields in opposite directions. By contrast, the reaction to the announcement of yield curve control indicates a role for non-monetary news, albeit the economic importance of this announcement is smaller than that of other QE measures. One caveat is that over a large part of our sample, Japanese bond yields were affected by the effective lower bound (even for fairly long maturities). Both volatility and turnover in the market were subdued dampening asset price reactions to BOJ's news.

V. Illustrative model

To formalize the intuition underlying Section I and our interpretation of the empirical results, we present a stylized model for the joint dynamics of stocks and nominal yields.

We assume there are four state variables that describe the economy: expected inflation τ_t, expected growth g_t, a monetary policy factor f_t, and a price-of-risk factor x_t. All state variables follow AR(1) processes with independent shocks. Written compactly $F_t = (\tau_t, g_t, f_t, x_t)'$,

$$F_{t+1} = \mu + \Phi F_t + \Sigma \varepsilon_{t+1}, \tag{7}$$

where Φ, Σ are diagonal matrices with elements ϕ_k, and σ_k on the diagonal, $k = \{\tau, g, f, x\}$, and $\varepsilon_{t+1} = (\varepsilon^{\tau}_{t+1}, \varepsilon^{g}_{t+1}, \varepsilon^{f}_{t+1}, \varepsilon^{x}_{t+1})'$. We assume that F_t is stationary with elements $0 < \phi_k < 1$. To keep the model simple, the conditional covariance matrix of shocks $\Sigma\Sigma'$ is constant.[25] The nominal short rate $i_t := y^{(1)}_t$ is:

$$i_t = \delta_0 + \delta_\tau \tau_t + \delta_g g_t + \delta_f f_t. \tag{8}$$

The nominal log SDF which prices nominal assets is $m_{t+1} = -i_t - 0.5\Lambda_t'\Lambda_t - \Lambda_t'\varepsilon_{t+1}$, where Λ_t is a linear function of F_t (made more specific below). Realized inflation equals expected inflation plus an orthogonal shock $\pi_{t+1} = \tau_t + \varepsilon^{\pi}_{t+1}$, thus $\tau_t = E_t(\pi_{t+1})$. Similarly, real dividend growth rate evolves as expected growth plus an orthogonal shock $\Delta d_{t+1} = g_t + \varepsilon^{d}_{t+1}$, thus $g_t = E_t(\Delta d_{t+1})$. Shocks ε^{π}_{t+1} and ε^{d}_{t+1} are uncorrelated with other shocks in the economy. The real log SDF which prices real assets is $m^{r}_{t+1} = m_{t+1} + \pi_{t+1}$.

We assume that investors require compensation for facing shocks to expected growth ε^{g}_{t+1} and to expected inflation ε^{τ}_{t+1} (shocks to realizations, ε^{π}_{t+1} and ε^{d}_{t+1}, are not priced), and that risk premia move on a single price-of-risk factor x_t. Specifically, shocks to the nominal log-SDF have the form:

$$-\left(m_{t+1} - E_t(m_{t+1})\right) = \left(\frac{1}{\sigma_\tau}\lambda_{\tau x}\varepsilon^{\tau}_{t+1} + \frac{1}{\sigma_g}\lambda_{gx}\varepsilon^{g}_{t+1}\right) x_t. \tag{9}$$

Several comments are in order. The short rate equation (8) captures the intuition of forward looking Taylor rules. The variable f_t is a reduced-form way of summarizing the effect of

[25] While there is clear evidence of time-varying volatility of stock returns and the yield curve, the link between volatility and risk premia remains debated. Using a rich model with time-varying volatility, Cieslak and Povala (2016) show that the cross-section of yields is well modelled with purely Gaussian dynamics, and factors driving volatility of yields have a minimal impact on the cross-section of yields.

monetary policy on interest rates beyond just iid monetary policy shocks.[26] The ex-ante real rate, $r_t = i_t - E_t\pi_{t+1}$, is $r_t = \delta_0 + (\delta_\tau - 1)\tau_t + \delta_g g_t + \delta_f f_t$. Note that when $\delta_\tau = 1$, the ex-ante real rate only depends on expected growth and the monetary policy factor, but not expected inflation. If $\delta_\tau > 1$, the ex-ante real rate is affected by expected inflation, introducing inflation non-neutrality.

The price-of-risk factor x_t determines the variation of risk premia in the model. Its shocks can be viewed as shocks to preferences that are not related to fundamentals.[27] This specification is grounded by the empirical facts. There is ample evidence by now that conditional risk premia on stocks and bonds move on a higher frequency than the typical business cycle frequency and are therefore hard to explain with macroeconomic fundamentals.[28] The price-of-risk factor x_t does not affect the short rate, i.e. $\delta_x = 0$, which implies that the central bank does not directly respond to the risk premium variation.

V.A. Nominal yield curve

Bond yields have the well-known affine form: $y_t^{(n)} = \mathcal{A}_n + \mathcal{B}_n' F_t$, with $\mathcal{A}_1 = \delta_0$ and $\mathcal{B}_1 = \delta_1$. The model decomposes shocks to yields in equation (2) as

$$y_{t+1}^{(n)} - E_t(y_{t+1}^{(n)}) = \mathcal{B}_n'\Sigma\varepsilon_{t+1} = \mathcal{B}_n^\tau\sigma_\tau\varepsilon_{t+1}^\tau + \mathcal{B}_n^g\sigma_g\varepsilon_{t+1}^g + \mathcal{B}_n^f\sigma_f\varepsilon_{t+1}^f + \mathcal{B}_n^x\sigma_x\varepsilon_{t+1}^x. \tag{10}$$

To understand how shocks affect the cross-section of yields, we analyze $\mathcal{B}_n$ coefficients as function of maturity n. Equations (7), (8) and (9) together lead to the following loadings of yields on the state variables:

$$\mathcal{B}_n^k = \frac{\delta_k}{n}\frac{1-\phi_k^n}{1-\phi_k} \quad \text{for} \quad k = \{\tau, g, f\} \tag{11}$$

$$\mathcal{B}_n^x = \frac{n-1}{n}(-\mathcal{B}_{n-1}^\tau\lambda_{\tau x} - \mathcal{B}_{n-1}^g\lambda_{gx} + \mathcal{B}_{n-1}^x\phi_x), \tag{12}$$

[26]For example, Cieslak (2018) shows that monetary policy affects short rate expectations in a persistent fashion beyond the systematic policy response to macroeconomic factors. Modeling the short rate with a monetary policy shock and a smoothing component would not qualitatively change the intuition arising from this setting.

[27]Models with a single source of variation in the price of risk and only a subset of shocks that are priced have been studied by Lettau and Wachter (2011), Campbell et al. (2017), Ang et al. (2008), among others. In these models, the price of risk is assumed to follow a univariate process that is independent of other state variables. The role of independent preference shocks for explaining stock market valuations has been also highlighted by Albuquerque et al. (2016).

[28]See Kelly and Pruitt (2013) and Martin (2017) for evidence on stock risk premia and Cieslak and Povala (2015) for evidence on bond risk premia. In particular, Cieslak and Povala (2015) find that risk premium dynamics in bonds is orthogonal to both real rate and inflation expectations.

Equation (11) shows that as long as the state variables have a positive effect on the short rate ($\delta_k > 0$) and are persistent but stationary ($0 < \phi_k < 1$), $\mathcal{B}_n^k$ loadings are also positive. In this case, yields covary positively with expected inflation, expected growth and with the monetary policy factor. The positive loadings δ_τ and δ_g are consistent with Taylor rule estimates. These estimates also suggest that $0 < \delta_g < \delta_\tau$, and $\delta_g < 1$, whereas δ_τ could be above unity (akin to the so-called Taylor principle), depending on the monetary policy regime. Coefficient δ_f is a reduced-form way of modeling the strength with which the central bank can effect the yield curve.

The persistence of state variables determines their effects across maturities. With high persistence (ϕ_τ close to 1), expected inflation has a "level" effect on the term structure, i.e. $\mathcal{B}_n^\tau$ is nearly flat across maturities. Less persistent variables that are the main driver of the real rate (g_t and f_t) vary at a higher, business-cycle, frequency. Accordingly their $\mathcal{B}_n$-loadings decline faster across maturities than $\mathcal{B}_n^\tau$.[29]

The price-of-risk factor x_t determines the variation in bond risk premia (and yield term premia):

$$E_t(ex_{t+1}^{(n)}) + \frac{1}{2}Var_t(ex_{t+1}^{(n)}) = -(n-1)(\mathcal{B}_{n-1}^\tau \lambda_{\tau x} + \mathcal{B}_{n-1}^g \lambda_{gx})x_t. \tag{13}$$

Intuitively, positive shocks to x_t lead to a decline in the bond risk premium if coefficients $\lambda_{\tau x}$ and λ_{gx} are positive (as both $\mathcal{B}_n^\tau > 0$ and $\mathcal{B}_n^g > 0$). Positive signs of $\lambda_{\tau x}$ and λ_{gx} capture the notion of expected growth and expected inflation being procyclical, and bonds providing insurance in bad times.[30] In that case, positive shocks to the price-of-risk factor x_t decrease yields more at longer maturities ($\mathcal{B}_n^x$ decreases with maturity). In general, this effect survives, albeit weakens, if only shocks to expected growth are priced with $\lambda_{gx} > 0$, as in a regime when inflation expectations are very stable.[31]

V.B. Stocks

Under model assumptions, the log price-dividend ratio is also affine in the state vector, $pd_t = A_s + B_s' F_t$. Using log-linearized returns, unexpected stock returns can be decomposed as:

[29] This intuition is confirmed by the calibration in Cieslak and Povala (2015).

[30] With procyclical inflation, inflation is low when marginal utility is high and $cov_t(\sigma_\tau \varepsilon_{t+1}^\tau, m_{t+1} - E_t(m_{t+1}))) = -\lambda_{\tau x} x_t < 0$. This means $\lambda_{\tau x} > 0$ assuming that x_t, the volatility of the SDF, is a positive process. Similar logic applies to the pricing of growth shocks.

[31] The result is overturned with countercyclical inflation (when $\lambda_{\tau x} < 0$), such as in the US in the 1970s and 80s. However, data from late 1990s, the period we analyze, support the assumption of procylical inflation (e.g., Burkhardt and Hasseltoft, 2012; Campbell et al., 2015). Given the high correlation of inflation dynamics across advanced economies in this period (Jotikasthira et al., 2015), the evidence extends to other countries in our sample outside the US.

$$r_{s,t+1} - E_t(r_{s,t+1}) = \kappa_1 B_s' \Sigma \varepsilon_{t+1} + \varepsilon^d_{t+1} \tag{14}$$

$$= \kappa_1 (B^\tau_s \sigma_\tau \varepsilon^\tau_{t+1} + B^g_s \sigma_g \varepsilon^g_{t+1} + B^f_s \sigma_f \varepsilon^f_{t+1} + B^x_s \sigma_x \varepsilon^x_{t+1}) + \varepsilon^d_{t+1}, \tag{15}$$

with loadings

$$B^\tau_s = \frac{1-\delta_\tau}{1-\kappa_1 \phi_\tau}, \quad B^g_s = \frac{1-\delta_g}{1-\kappa_1 \phi_g}, \quad B^f_s = -\frac{\delta_f}{1-\kappa_1 \phi_f}, \tag{16}$$

$$B^x_s = \frac{-\kappa_1 (B^\tau_s \lambda_{\tau x} + B^g_s \lambda_{gx})}{1-\kappa_1 \phi_x}, \tag{17}$$

where the linearization constant κ_1 is slightly less than one and depends only on the unconditional average of pd_t.

Stocks are unaffected by expected inflation ($B^\tau_s = 0$) if $\delta_\tau = 1$. If $\delta_\tau > 1$ positive shocks to expected inflation decrease stock prices ($B^\tau_s < 0$) via the discount rate channel as they raise the real short rate. Shocks to growth expectations raise stock prices ($B^g_s > 0$) if $0 < \delta_g < 1$, i.e. the real short rate increases less than one for one with growth expectations. Monetary policy shocks decrease stock prices as $B^f_s < 0$ if $\delta_f > 0$. Similar to bond risk premia, stock risk premia vary with x_t:

$$E_t(ex^s_{t+1}) + \frac{1}{2} Var_t(ex^s_{t+1}) = (B^\tau_s \lambda_{\tau x} + B^g_s \lambda_{gx}) x_t. \tag{18}$$

With market price of risk parameters $\lambda_{\tau x} > 0$ and $\lambda_{gx} > 0$, positive price-of-risk shocks lower stock prices ($B^x_s < 0$) and increase stock risk premia ($(B^\tau_s \lambda_{\tau x} + B^g_s \lambda_{gx}) > 0$) if the pricing of growth shock dominates the inflation effect (as with $\delta_\tau \leq 1$). In this case, stocks are risky assets and bonds are safe; thus, upon a positive price-of-risk shock, negative stock returns are coupled with lower yields (and higher bond prices).

VI. Conclusion

We study the term structure of realized stock-yield covariances around communication events by four major central banks. The joint dynamics of stocks with the yield curve at high-frequency reveals the nature of economic shocks induced by central bank pronouncements. We highlight the importance of non-monetary news revealed via communication channels, such as press conferences and minutes, whose goal is to provide context of policy decisions. We also document significant variation in how the news composition of central bank releases changes over time.

While we study a comprehensive set of central bank communications, relying on asset price behavior around selected events has also some limitations. In particular, we abstract from

the fact that central banks may exert significant effect on asset prices outside of the public communication events, as suggested by the findings of Lucca and Moench (2015) and Cieslak et al. (2018). Additionally, certain types of news may take longer to get absorbed into asset prices.[32] Careful investigation of those effects is the subject of our ongoing research.

[32]For example, prices of long-term bonds have a significantly higher volatility in the day after the FOMC announcement, suggesting that part of the effect of policy announcements on bond risk premia may not be instantaneous (Cieslak, 2017).

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Table I. Overview of central bank communication events

This table provides an overview of the number of monetary policy events for the four major central banks (Federal Reserve, ECB, Bank of Japan and Bank of England). It reports the number of events pertaining to i) monetary policy decisions (MPD), ii) press conferences (PC), iii) the release of minutes of the policy meeting (MIN), iv) the release of the inflation report (IR). Column "Other" reports the number other events (including speeches). We also provide the number of announcements associated with unconventional monetary policy (UMP). Note that the UMP and MPD as well as PC classifications are not mutually exclusive, as in some cases major pieces of UMP news were unveiled via the MPD statement or the PC following the policy meeting.

	MPD	PC	MIN	IR	Other	Total	of which UMP
Federal Reserve (Fed) (30 Sep 1997 to 31 Dec 2017)	169	28	136	–	29	362	40
European Central Bank (ECB) (09 Jun 1998 to 31 Dec 2017)	249	224	–	–	146	619	78
Bank of England (BOE) (09 Jul 1998 to 31 Dec 2017)	206	9	197	78	60	550	33
Bank of Japan (BOJ) (15 Jul 2003 to 31 Dec 2017)	205	52	175	–	22	432	46

Table II. Monetary policy decisions and stock-yield covariances

This table presents the regressions of realized covariances on monetary policy decision dummy. The event window spans from -15 minutes before to +15 minutes after the announcement. The sample of control covariances is constructed over the same window for days without local monetary policy news, in analogy to the approach to constructing control returns described in Section III. The covariances are reported in units of basis points squared. Robust standard errors are reported in parentheses. We exclude unscheduled monetary policy announcements from the regression.

A. Fed

	3m	2y	5y	10y	30y
MPD dummy	-75.1***	-52.0***	-91.5***	-70.0**	-56.2*
	(-3.90)	(-2.95)	(-2.78)	(-2.11)	(-1.71)
Constant	2.20***	6.27***	10.3***	10.0***	9.81***
	(15.68)	(23.31)	(39.98)	(47.71)	(52.65)

B. ECB

	3m	2y	5y	10y
MPD dummy	-54.6***	-42.5***	-28.3***	-12.1***
	(-3.13)	(-3.34)	(-4.14)	(-3.15)
Constant	0.85***	3.40***	4.97***	5.19***
	(10.84)	(26.77)	(37.52)	(43.24)

C. BOE

	3m	10y
MPD dummy	-55.6*	-14.2**
	(-1.88)	(-2.31)
Constant	0.31***	3.05***
	(4.45)	(35.88)

D. BOJ

	10y
MPD dummy	-4.50*
	(-1.73)
Constant	2.45***
	(30.88)

Table III. Test for structural breaks in event covariances

This table reports test results for multiple breaks in mean of realized covariances using the sequential test of Bai and Perron (1998). The test is conducted over the sample from Jan 1, 2008 through Dec 31, 2017. The table provides robust F-statistics and 10% critical values. We allow error distributions to differ across breaks. The set of communication events used in estimation is reported in each column header. For brevity, for the Fed and the ECB we only report results for average covariances across maturities.

	10% Crit val	Fed	ECB	BOE	BOJ
Communication type		PC & MIN	PC	MIN & IR	MIN
Maturities		Avg 2, 5, 10, 30y	Avg 2,5,10y	10y	10y
0 or 1	7.04	8.72*	53.94*	33.02*	5.77
1 or 2	8.51	13.31*	7.54	4.19	
2 or 3	9.41	9.41			
Break dates		6 Jan 2010	4 Jul 2013	20 Feb 2013	
		19 Jun 2013			
		8 Jul 2015			

Table IV. Classification of central bank communication events

This table provides the classification on Fed's and ECB's announcements. Row labels (1,1) though (2,2) indicate the quadrants of the classification matrix described in Section IV.D. For the Fed, in Panel A, we classify the news content at scheduled monetary policy decision announcements, minutes releases and press conferences (considered jointly), and all other events in our database (including unscheduled FOMC announcements). For the ECB, in Panel B, we conduct the analysis on monetary policy decisions, press conferences, and all other events in our database (including speeches). Columns (1) and (2) report the number and the fraction (in percent) of events falling into news-type quadrant, by communication type. Column (3) reports the median covariance within each news-type quadrant, column (4) reports the t-statistics for the median, which is obtained from a quantile regression of realized covariance on a constant (with fewer than 10 observations within a category, standard errors are computed with bootstrap). Column (5) reports the mean covariance within each news-type quadrant, and column (6) provides robust t-statistics for the mean. Covariances are reported in units of basis points squared.

	(1)	(2)	(3)	(4)	(5)	(6)
A. Fed						
News type	No. events	Fraction(%)	Median Cov	t-Median	Mean Cov	t-Mean
A1. Monetary policy decisions (scheduled only), window (-15,+15) minutes						
(1,1) Growth expectations	53	32.5	46.18***	(3.46)	98.72***	(4.69)
(1,2) MP (rate expectations)	86	52.8	−51.88***	(−5.18)	−144.70***	(−5.11)
(2,1) Risk preferences	11	6.7	4.06	(0.15)	29.01*	(1.87)
(2,2) MP (long-end)	13	8.0	−11.74	(−0.20)	−427.63	(−1.19)
A2. Minutes and press conferences, window (-15,+90) minutes						
(1,1) Growth expectations	84	51.2	21.26***	(5.74)	53.15***	(3.98)
(1,2) MP (rate expectations)	50	30.5	−17.25***	(−3.10)	−31.58***	(−6.20)
(2,1) Risk preferences	26	15.9	11.63**	(2.49)	17.38***	(5.28)
(2,2) MP (long-end)	4	2.4	−8.82*	(−2.25)	−6.07*	(−2.42)
A3. Other events, window (-15,+90) minutes						
(1,1) Growth expectations	23	65.7	120.78	(1.60)	278.35***	(3.23)
(1,2) MP (rate expectations)	3	8.6	−60.14	(−1.35)	−55.97	(−1.80)
(2,1) Risk preferences	5	14.3	40.81	(0.40)	130.74	(1.81)
(2,2) MP (long-end)	4	11.4	−86.96	(−1.84)	−87.96	(−1.98)
B. ECB						
News type	No. events	Fraction(%)	Median Cov	t-Median	Mean Cov	t-Mean
B1. Monetary policy decisions, window (-15,+15) minutes						
(1,1) Growth expectations	89	35.7	2.92***	(4.33)	7.89***	(5.54)
(1,2) MP (rate expectations)	130	52.2	−5.90***	(−4.44)	−83.07***	(−3.43)
(2,1) Risk preferences	20	8.0	3.04	(1.08)	6.12***	(3.61)
(2,2) MP (long-end)	10	4.0	−10.70***	(−4.04)	−28.52	(−1.46)
B2. Press conferences, window (-15,+90) minutes						
(1,1) Growth expectations	125	55.8	34.60***	(6.31)	52.06***	(9.94)
(1,2) MP (rate expectations)	65	29.0	−23.44***	(−4.74)	−41.69***	(−5.96)
(2,1) Risk preferences	20	8.9	39.52*	(1.76)	78.44**	(2.83)
(2,2) MP (long-end)	14	6.3	−36.20**	(−2.87)	−47.67**	(−2.48)
B3. Other events, window (-15,+90) minutes						
(1,1) Growth expectations	89	61.0	21.99***	(3.47)	75.64***	(5.12)
(1,2) MP (rate expectations)	23	15.8	−4.00**	(−2.42)	−6.07***	(−5.05)
(2,1) Risk preferences	27	18.5	13.03	(0.52)	81.09***	(2.90)
(2,2) MP (long-end)	7	4.8	−6.23	(−1.50)	−14.75*	(−1.92)

Table V. Effect of Fed's unconventional policy measures on joint dynamics of stocks and the yield curve

Panel A reports the number of unconventional monetary policy (UMP) events, broken down by major policy programs or policy phases. The individual programs are described in Online Appendix C. We indicate the first and last observation and the duration of a program (in months). The subset of UMP events that contained a forward guidance element is reported as "of which: FG." Note that summing the number of events over policy programs does not necessarily yield the total number of UMP events, as in some cases the same event may have contained news about more than one policy program. Panel B presents the regressions of realized stock-yield covariances on dummy variables for each program, and interactions of program dummies with a dummy for whether the announcement had a forward guidance component. Robust standard errors are in parentheses. Covariances are measured over the (-15; +90) minute window and are reported in units of basis points squared. The regressions are estimated over the sample from 2008 through 2017, controlling for covariances on non-Fed announcement days.

A. Summary of UMP events

	No. annc.	First obs.	Last obs.	Length (mths)
UMP	40	12 Dec 2007	01 Nov 2017	118
of which: FG	9	16 Dec 2008	18 Mar 2015	75
Phases:				
QE1 (quantitative easing phase 1)	5	25 Nov 2008	18 Mar 2009	3
Exit (early)	3	12 Aug 2009	04 Nov 2009	4
QE2 (quantitative easing phase 2)	3	10 Aug 2010	15 Oct 2010	2
MEP (maturity extension program/operation twist)	6	09 Aug 2011	01 Aug 2012	11
QE3 (quantitative easing phase 3)	3	31 Aug 2012	12 Dec 2012	3
Tapering of asset purchases	2	22 May 2013	19 Jun 2013	1
Exit (late)	8	18 Dec 2013	29 Oct 2014	10
Balance sheet wind-down	2	20 Sept 2017	01 Nov 2017	1

B. Regression analysis of realized stock-yield covariances

	3m	2y	5y	10y	30y
QE1	154.9**	251.8***	415.5***	316.2***	282.8***
	(2.33)	(3.36)	(8.28)	(6.51)	(4.95)
QE1 × FG	-1098.0***	-1168.7***	-3041.8**	-2898.7*	-2753.4*
	(-10.54)	(-14.51)	(-2.03)	(-1.78)	(-1.72)
Exit (early)	38.0*	39.0	83.3	57.0	79.6
	(1.72)	(0.95)	(1.48)	(1.26)	(1.64)
QE2	-15.8	-24.3	-12.3	7.01	14.7
	(-0.55)	(-0.45)	(-0.12)	(0.07)	(0.15)
QE3	-12.4***	-7.87***	1.53	5.51***	13.9***
	(-19.68)	(-6.58)	(1.26)	(5.26)	(15.48)
QE3 × FG	11.4***	32.1	29.8	31.4	85.7
	(9.42)	(0.91)	(0.68)	(0.82)	(1.21)
MEP	-36.8*	-4.80	129.8	172.2*	241.2***
	(-1.81)	(-0.10)	(1.01)	(1.94)	(2.73)
MEP × FG	-45.1	238.9	552.6	397.4	281.6
	(-0.89)	(1.17)	(1.02)	(0.89)	(0.73)
Tapering of asset purchases	-5.16*	-66.6***	-146.4***	-148.8***	-121.2***
	(-1.65)	(-4.35)	(-3.73)	(-5.12)	(-3.84)
Exit (late)	-6.67***	-21.5	-33.5	-27.8	-28.7
	(-2.84)	(-1.41)	(-1.05)	(-1.02)	(-1.24)
Exit (late) × FG	-23.0	-116.6***	-307.3***	-248.2**	-181.0*
	(-1.46)	(-7.62)	(-3.80)	(-2.25)	(-1.90)
Balance sheet wind-down	-14.5***	-34.9***	-41.0***	-41.8***	-34.3***
	(-5.92)	(-6.69)	(-10.51)	(-21.65)	(-32.67)
Constant	5.30***	26.3***	39.3***	36.9***	36.5***
	(8.40)	(21.97)	(32.31)	(35.23)	(40.59)
R^2	0.084	0.027	0.15	0.18	0.20

Table VI. Effect of ECB's unconventional policy measures on joint dynamics of stocks and the yield curve

The table summarizes results for UMP by the ECB. The regressions are estimated over the sample from 2007 though 2017. See caption to Table V for further details.

A. Summary of UMP events

	No. annc.	First obs.	Last obs.	Length (mths)
UMP	78	22 Aug 2007	26 Oct 2017	122
of which: FG	18	08 May 2010	26 Oct 2017	89
Phases:				
LTRO1 (long-term refinancing operations phase 1)	15	22 Aug 2007	17 Nov 2008	14
USD liquidity (swap lines with the Fed)	23	12 Dec 2007	24 Jan 2014	73
LTRO2 (long-term refinancing operations phase 2)	11	07 May 2009	06 Oct 2011	28
CBPP (covered bond purchases)	13	07 May 2009	02 Oct 2014	64
SMP (securities market program)	8	08 May 2010	06 Oct 2011	16
LTRO3 (long-term refinancing operations phase 2)	6	01 Dec 2011	23 Sept 2013	21
OMT (outright monetary transactions)	4	26 Jun 2012	30 Nov 2012	4
PSPP (public sector debt purchase)	16	03 Apr 2014	26 Oct 2017	42
LTRO4 (long-term refinancing operations phase 4)	5	05 Jun 2014	22 Jan 2015	7
CSPP (corporate sector bond purchases)	5	10 Mar 2016	26 Oct 2017	19

B. Regression analysis of realized stock-yield covariances

	3m	2y	5y	10y
LTRO1	12.6	80.5***	75.3***	48.5***
	(1.22)	(3.03)	(2.74)	(2.64)
USD liquidity	4.00	159.7***	150.7***	124.4***
	(0.25)	(3.49)	(3.27)	(3.18)
LTRO2	33.7	20.9	25.6	9.26
	(0.98)	(1.14)	(0.91)	(0.32)
CBPP	-19.5	-12.3	-5.42	18.4
	(-0.42)	(-0.35)	(-0.13)	(0.51)
SMP	-107.6	114.0*	214.4***	212.7***
	(-1.37)	(1.85)	(2.62)	(2.97)
SMP × FG	96.2	-91.1	-173.9**	-211.6***
	(1.23)	(-1.48)	(-2.12)	(-2.95)
LTRO3	-20.9	29.2	115.0***	227.8***
	(-1.15)	(1.37)	(3.77)	(3.35)
LTRO3 × FG	18.5	-38.6*	-133.5***	-255.2***
	(1.02)	(-1.82)	(-4.38)	(-3.75)
OMT	-5.58	50.8*	187.9**	223.2**
	(-1.11)	(1.92)	(2.09)	(2.37)
PSPP	-18.1	-41.1***	-68.2***	-80.1***
	(-1.07)	(-2.95)	(-3.41)	(-3.42)
PSPP × FG	15.9	26.0*	45.8**	60.1**
	(0.94)	(1.87)	(2.29)	(2.51)
LTRO4	-40.6	-24.4***	8.39	20.8
	(-1.33)	(-3.38)	(0.27)	(0.50)
LTRO4 × FG	24.9	-8.11	-60.6	-65.9
	(0.81)	(-0.43)	(-1.13)	(-1.24)
CSPP	56.6	0.28	-101.1**	-131.9*
	(1.17)	(0.01)	(-2.24)	(-1.96)
CSPP × FG	-58.7	-7.89	87.9*	115.0*
	(-1.21)	(-0.34)	(1.95)	(1.70)
Constant	2.35***	16.3***	24.4***	26.1***
	(4.65)	(27.18)	(35.90)	(41.13)
R^2	0.007	0.033	0.040	0.048

Table VII. Effect of unconventional policy measures on joint dynamics of stocks and the yield curve: BOE and BOJ

The table summarizes results for UMP by the BOE and BOJ. The regressions are estimated over the sample from 2008 though 2017 for the BOE and from 2003 though 2017 for the BOJ. See caption to Table V for further details.

A. Summary of UMP events

	No. events	First obs.	Last obs.	Length (mths)
BOE				
UMP	33	19 Jan 2009	04 Aug 2016	90
of which: FG	12	07 Aug 2013	16 Sept 2015	25
Phases:				
USD liquidity (swap lines with the Fed)	17	02 May 2008	17 Jun 2014	73
APF1 (asset purchase facility phase 1)	11	19 Jan 2009	27 Jan 2010	12
APF2 (asset purchase facility phase 2)	6	01 Mar 2011	29 Feb 2012	11
APF3 (asset purchase facility phase 3)	4	05 Jul 2012	26 Feb 2013	7
APF4 (asset purchase facility phase 4)	1	04 Aug 2016	04 Aug 2016	1
BOJ				
UMP	62	19 Mar 2001	21 Sep 2016	186
Phases:				
USD liquidity (swap lines with the Fed)	14	18 Sep 2008	29 Jul 2016	94
QEP (quantitative easing phase 1)	13	19 Mar 2001	09 Mar 2006	59
Stocks / REITS	7	18 Sep 2002	29 Jul 2016	166
QEAPP (quantitative easing phase 2)	17	19 Dec 2008	22 Jan 2013	49
QQE (quantitative and qualitative easing)	3	04 Apr 2013	19 Nov 2015	31
QQE with negative rates	2	29 Jan 2016	29 Jul 2016	6
QQE with yield curve control	1	21 Sep 2016	21 Sep 2016	1

B. Regression analysis of realized stock-yield covariances

BOE			BOJ	
	3m	10y		10y
USD liquidity	-18.2	74.2*	USD liquidity	11.2
	(-0.88)	(1.84)		(1.50)
APF1	11.4	-1.82	QEP	-9.99**
	(1.25)	(-0.10)		(-2.38)
APF2	15.2**	-41.2	Stocks/REITS	37.6*
	(2.03)	(-0.86)		(1.65)
APF3	29.1	8.15	QEAPP	-15.8
	(1.25)	(0.48)		(-1.06)
APF4	-99.5***	-310.5***	QQE	-80.4***
	(-98.11)	(-557.01)		(-5.19)
FG	-0.34	-21.5***	QQE with negative rates	-154.2*
	(-0.15)	(-3.04)		(-1.76)
Constant	0.059	20.4***	QQE with yield curve control	28.4***
	(0.06)	(36.68)		(164.12)
			Constant	5.63***
				(32.57)
R^2	0.000	0.013	R^2	0.041

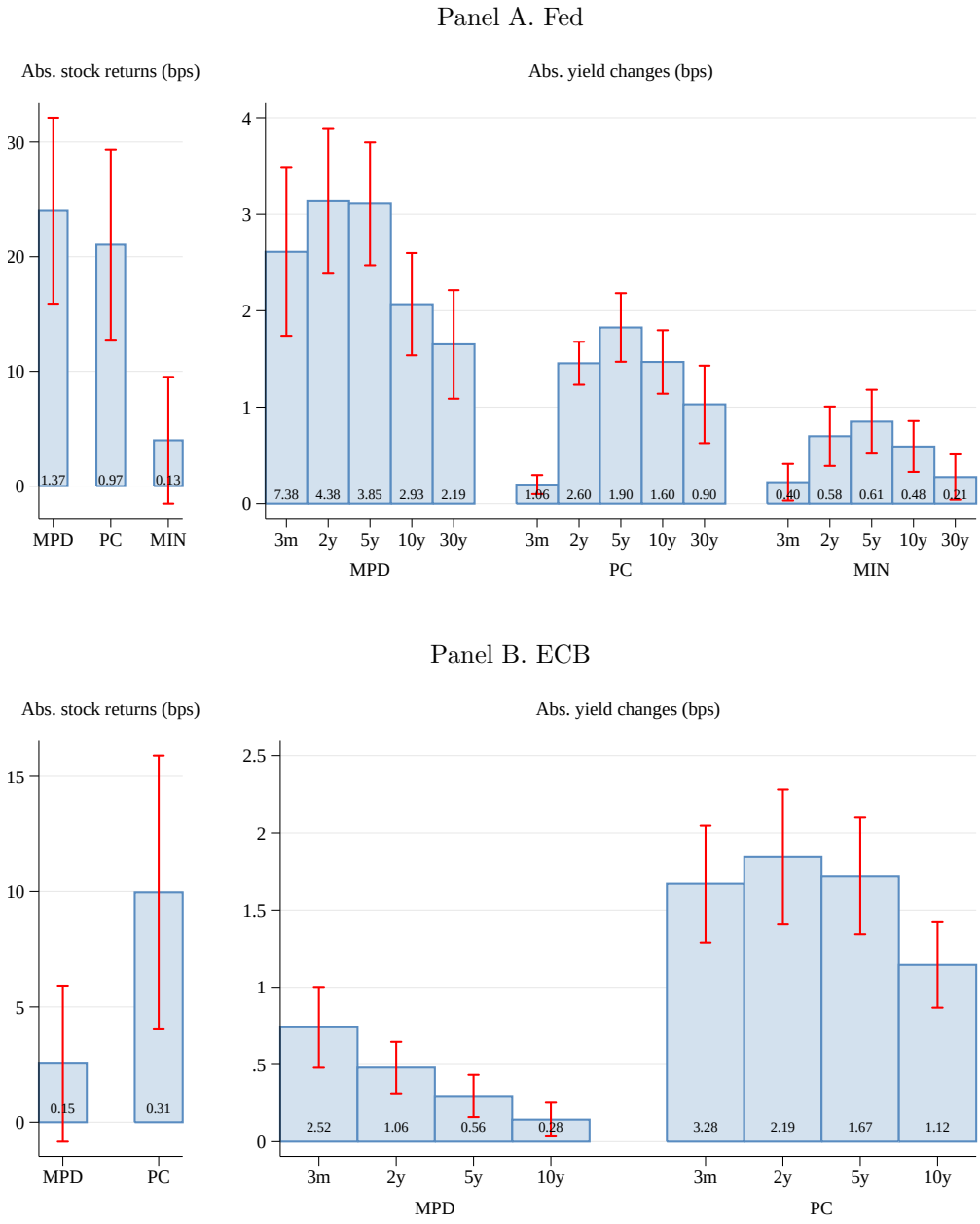
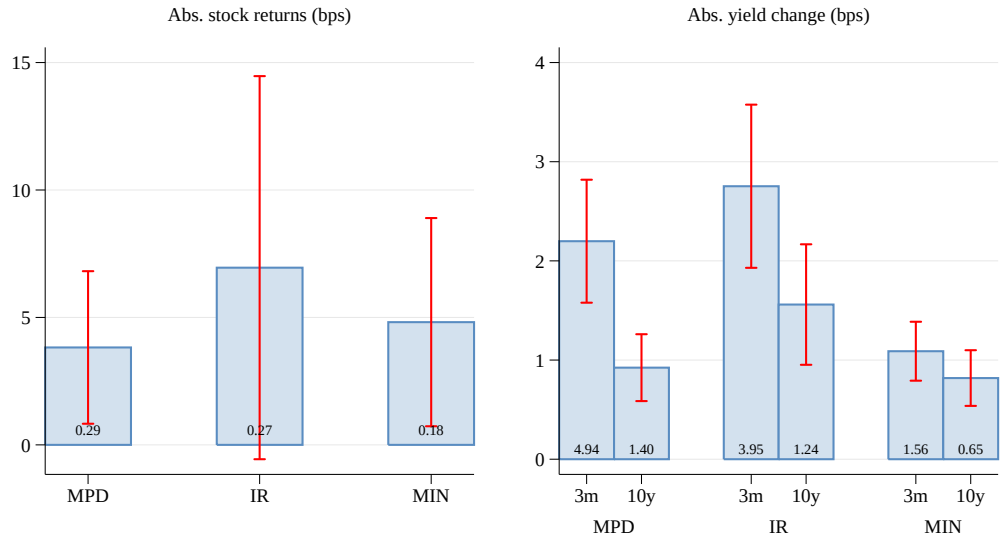


Figure 1. Reactions of stocks and yields to central bank communication events

The figure summarizes the effect of monetary policy communication events on absolute stock market returns and absolute yield changes (in basis points). Bars present slope coefficients from a regression of absolute stock returns (or absolute yield changes) on a constant and a dummy variable indicating a type of communication. Those types are: monetary policy decisions (MPD), press conferences (PC), minutes releases (MIN) and, for the BOE, releases of inflation reports (IR). The hight of the bar measures the incremental effect (in bps) of communication events relative to the baseline variation in asset prices absent central bank news. Error bars indicate 95% robust confidence interval. The number superimposed on each bar reports the regression slope coefficient divided by the regression intercept. For example, a ratio of 2 means that absolute returns are 200% higher around an event relative to their baseline variation on other days (over a window of the same length as the event window). The event window is from -15 to +15 minutes around MPDs and from -15 to +90 minutes around other events. Detailed regression estimates are discussed in Online Appendix B.

Panel C. BOE



Panel D. BOJ

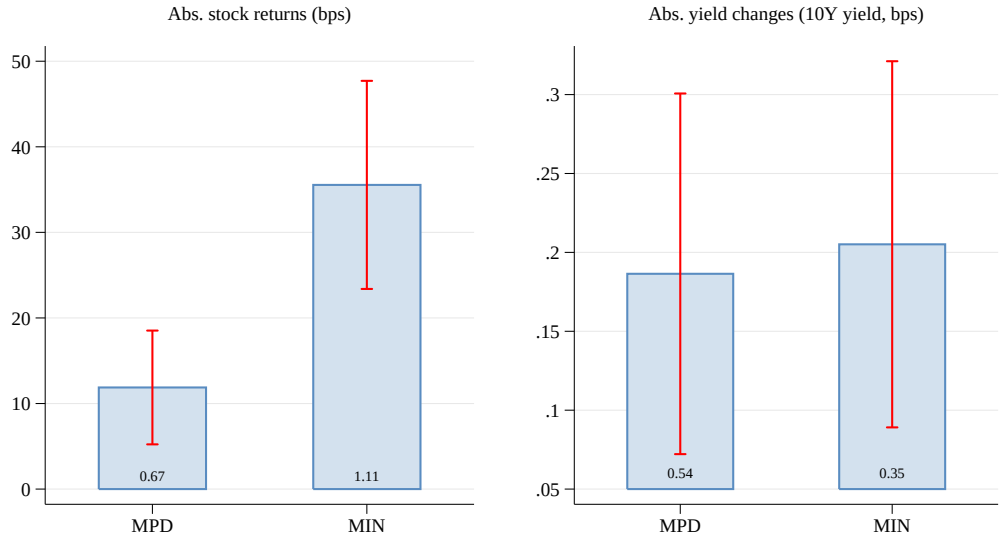


Figure 1. Reactions of stocks and yields to central bank communication events (continued)

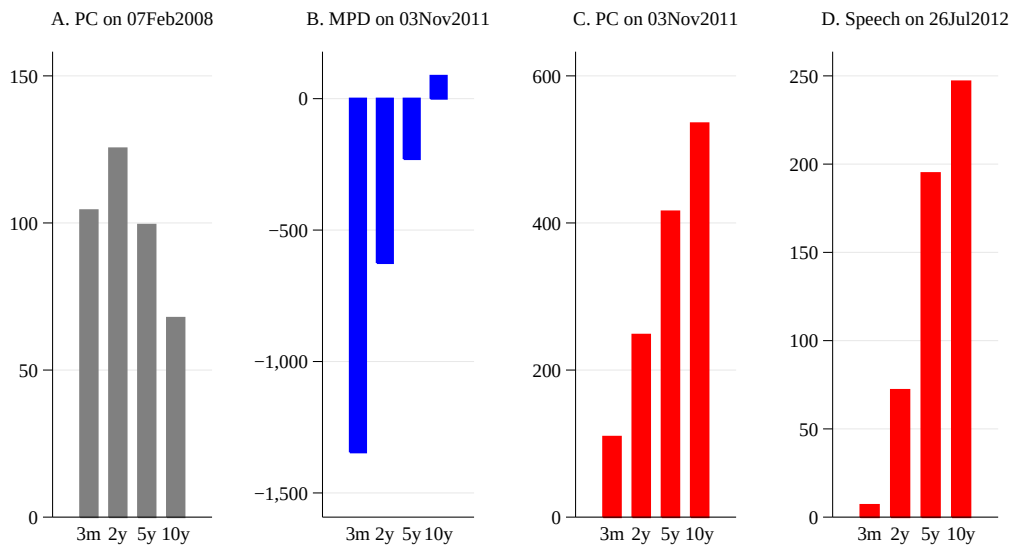


Figure 2. Term structures of stock-yield covariances: selected ECB events

The figure presents the term structure of realized stock-yield covariances around selected ECB communication events: press conference on Feb 7, 2008; monetary policy decision (rate cut) and press conference on Nov 3, 2011 (Draghi's first communications as the President of the ECB), and Draghi's speech on July 26, 2012. Covariances are reported in units of basis points squared.

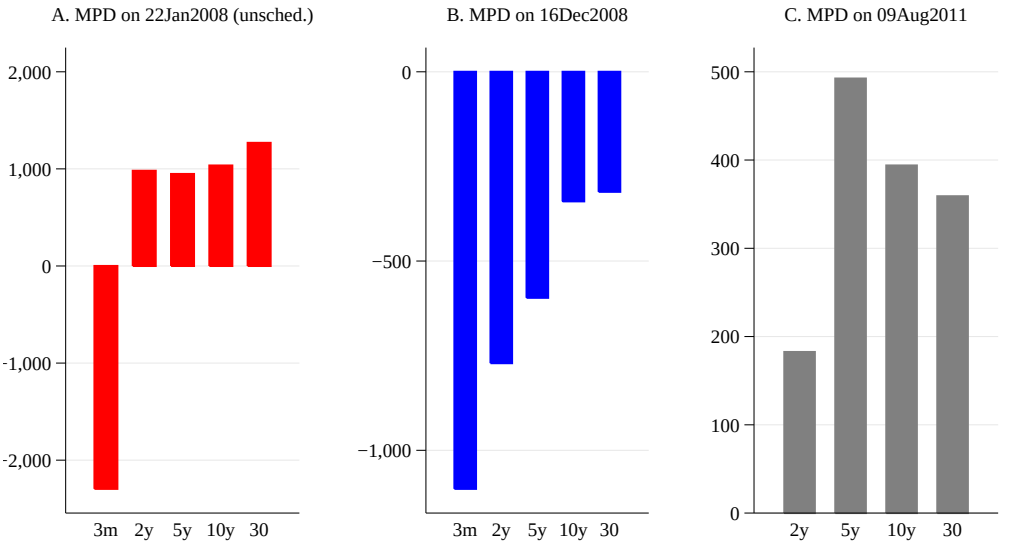


Figure 3. Term structures of stock-yield covariances: selected Fed events

The figure presents the term structure of realized stock-yield covariances around Fed communication events: unscheduled FOMC decision announcement on Jan 22, 2008 and two scheduled FOMC announcements on Dec 16, 2008 and Aug 09, 2011. Covariances are reported in units of basis points squared.

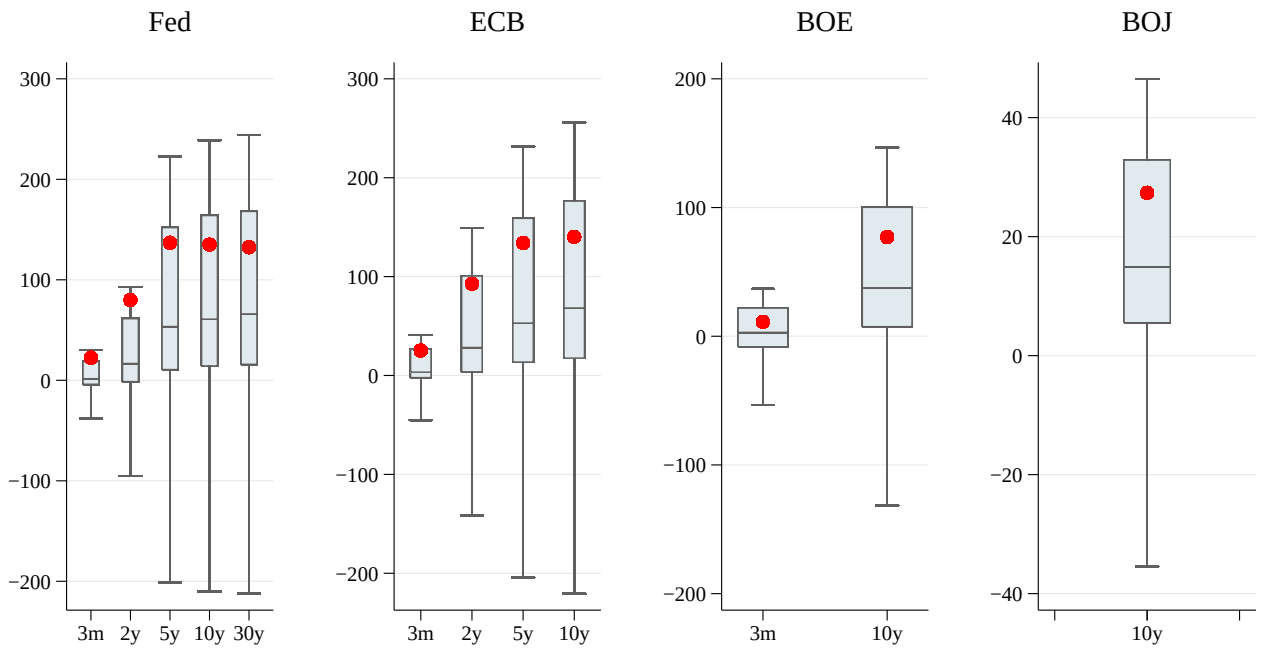


Figure 4. Term structures of realized stock-yield covariances on non-monetary policy days

The figure presents distribution of realized stock-yield covariances across available maturities on non-monetary policy days. Realized covariances are constructed by summing up products of one-minute stock returns with yield changes each day, and are reported in units of basis points squared. Mean covariances are marked with circles. Box borders indicate the upper and lower quartiles, the line within the box is the median. The whiskers identify the largest and smallest adjacent values calculated as upper quartile $+1.5\times$IQR (interquartile range) and lower quartile $-1.5\times$IQR. Extreme values are not shown.

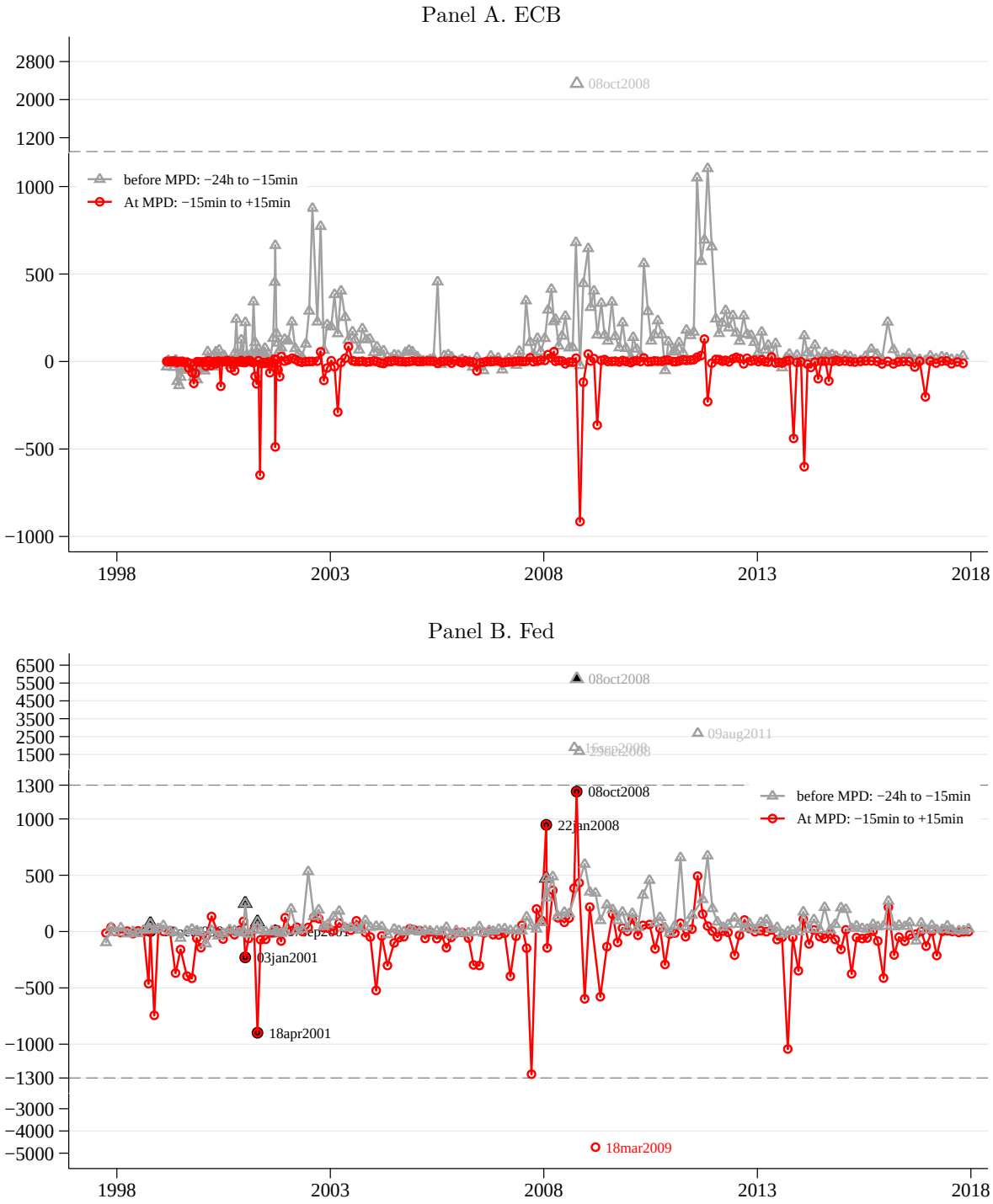


Figure 5. Realized covariances of stocks with 5-year yield 24 hours before and at the monetary policy decision

The figure presents realized covariances of stocks and five-year yields from 24 hours before policy decision to -15 minutes before (gray triangles) and from -15 minutes to +15 minutes around the decision (red circles). The y-axes are broken to accommodate outliers. For the Fed in panel B, the realizations at unscheduled FOMC announcements are indicated with black-filled markers (the dates are Jan 2, 2001; Apr 18, 2001; Sep 9, 2001; Jan 22, 2008; Oct 8, 2008). The black-filled triangles mark covariances in the 24 hours before an unscheduled announcement.

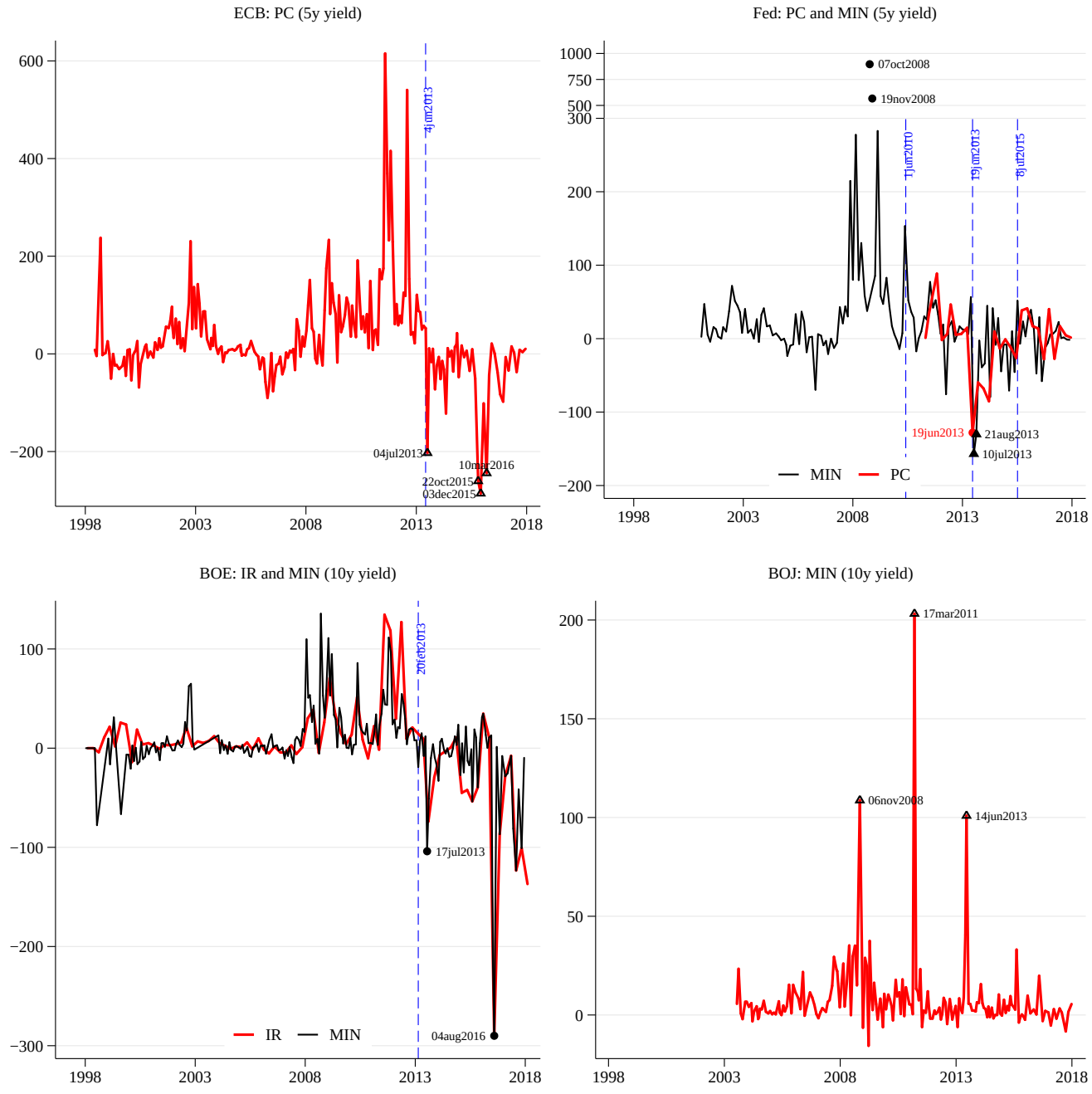


Figure 6. Realized stock-yield covariances around communication events

The figure presents the realized covariances of stocks and yields around central bank communication events. We consider the following events: press conferences for the ECB, minutes' released and press conferences for the Fed, minutes' releases and inflation report releases for the BOE, and minutes releases for the BOJ. Covariances are computed using a window from -15 to +90 minutes of the time-stamp of the event. Vertical lines indicate break dates in average covariances identified with Bai and Perron (1998) test (see Table III for details).

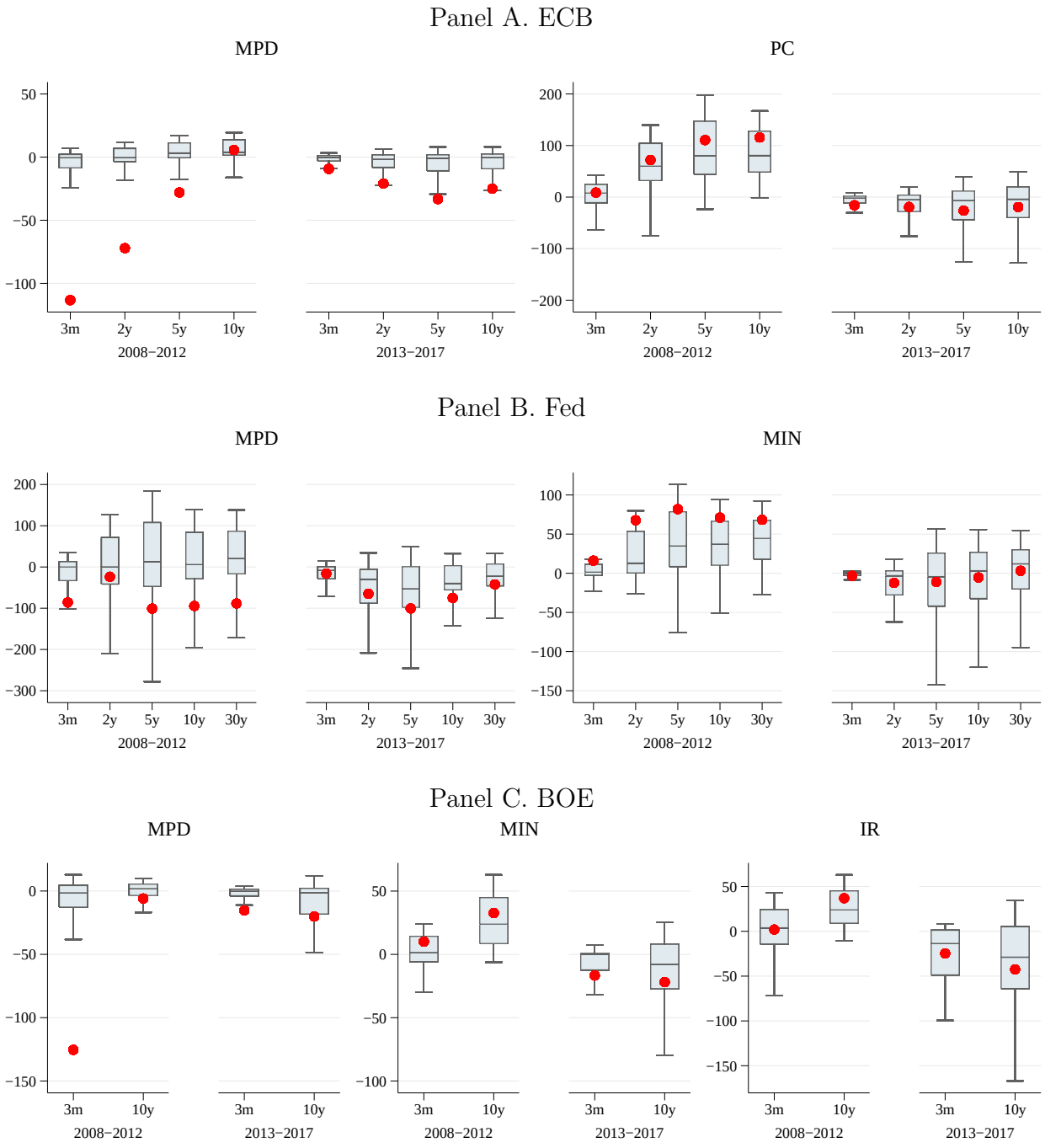


Figure 7. Term structures of realized covariances pre- and post-2013

The figure presents distributions of realized stock-yield covariances across available maturities around central bank communication events, for two subperiods: 2008–2012 and 2013–2017. We consider monetary policy decision (MPD) announcements and press conferences (PC) for the ECB, minutes releases (MIN) for the Fed and the BOE, and inflation report (IR) releases for the BOE. Covariances are constructed over a (-15,+15) minute window for MPDs, and over (-15,+90) minute window around other communication events.

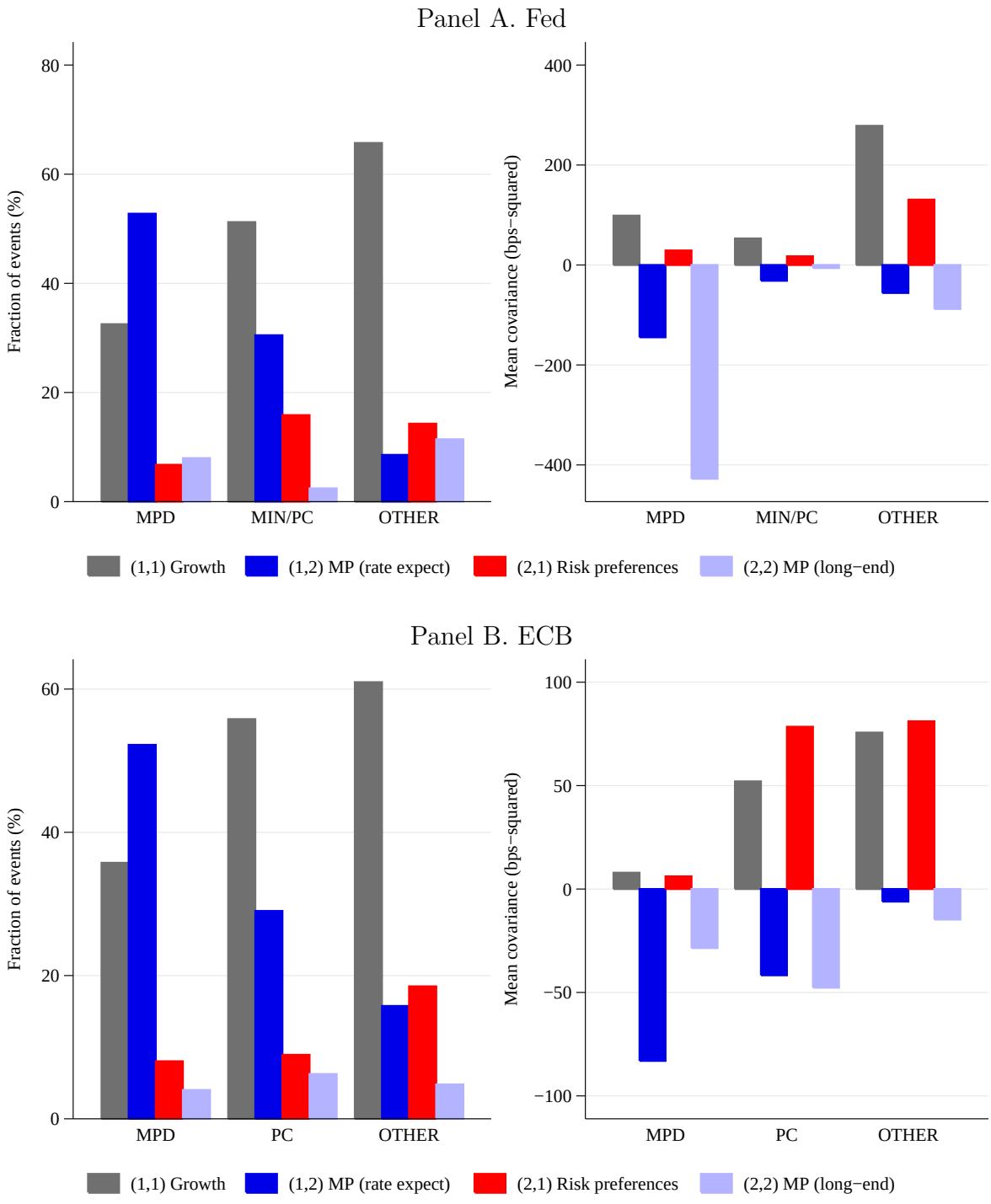


Figure 8. Classification of central bank communication events

The figure accompanies the results reported in Table IV, and displays frequencies of events and mean covariance by news type.

Internet Appendix for:

Non-Monetary News in Central Bank Communication

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(Not intended for publication)

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A. Data sources

Table A-1. Summary of high-frequency data

Futures type	Futures name	Exchange	Time zone	TickData symbol	BBG symbol
A. Federal Reserve; sample start: Sep 30, 1997					
equity	S&P 500 E-Mini Futures	CME Group	America – Chicago	ES	ES1 Index
interest rate	Eurodollar Futures CME	CME Group	America – Chicago	ED	ED1 Comdty
interest rate	US 5-Year T-Note Futures	Chicago Board of Trade	America – Chicago	FV	FV1 Comdty
interest rate	US 2-Year T-Note Futures	Chicago Board of Trade	America – Chicago	TU	TU1 Comdty
interest rate	US 10-Year T-Note Futures	Chicago Board of Trade	America – Chicago	TY	TY1 Comdty
interest rate	US 30-Year T-Bond Futures	Chicago Board of Trade	America – Chicago	US	US1 Comdty
B. ECB; sample start: Jun 9, 1997					
equity	DAX Index Futures	Eurex	Europe – Berlin	DA	GX1 Index
interest rate	Euribor 3-Month Futures	ICE Futures Europe Financials	Europe – London	UR	ER1 Comdty
interest rate	Euro-Schatz 2-Year Futures	Eurex	Europe – Berlin	BZ	DU1 Comdty
interest rate	Euro-Bobl 5-Year Futures	Eurex	Europe – Berlin	BL	OE1 Comdty
interest rate	Euro-Bund 10-Year Futures	Eurex	Europe – Berlin	BN	RX1 Comdty
C. BOE; sample start: Jul 9, 1998					
equity	FTSE 100 Index Futures	ICE Futures Europe Financials	Europe – London	FT	Z 1 Index
interest rate	Sterling 3-Month Futures	ICE Futures Europe Financials	Europe – London	ST	L 1 Comdty
interest rate	Long Gilt Futures	ICE Futures Europe Financials	Europe – London	GL	G 1 Comdty
D. BOJ; sample start: Jul 15, 2003					
equity	TOPIX Futures JPX	Osaka Exchange	Asia – Tokyo	TP	TP1 Index
interest rate	Japanese 10-Year Bond Futures JPX	Osaka Exchange	Asia – Tokyo	JB	JB1 Comdty

B. Asset price responses to central bank communication: Details

This section provides details about the estimates discussed in Section III in the body of the paper.

We estimate the following regressions:

$$|x_{\tau-m,\tau+k}| = \gamma_{j,\text{CB}} + \beta_{j,\text{CB}}\mathbf{1}_{\tau,j,\text{CB}} + \varepsilon_{\tau-m,\tau+k}, \tag{IA.19}$$

where $|x_{\tau-m,\tau+k}|$ denotes the absolute stock return or absolute yield change (both in basis points) computed over a window from m minutes before the event to k minutes after; $\mathbf{1}_{j,\text{CB}}$ is a dummy variable equal to one for a communication event of type j, $j = \{\text{MPD}, \text{PC}, \text{MIN}, \text{IR}\}$. The regressions are estimated separately by asset, event type j, and for each central bank.

The $\beta_{j,\text{CB}}$ coefficient measures the average change in $|x_{\tau-m,\tau+k}|$ due to news released at event j relative to the average absolute return on other days. The average return on other days is reflected in the constant $\gamma_{j,\text{CB}}$. For monetary policy decision announcements, returns are computed from -15 to +15 minutes around the event. For press conferences, minutes and inflation report releases, they are computed over a longer window, from -15 to +90 minutes around the event, given that these communications tend to contain information that is broader than the in the decision announcements, and hence may take longer for the markets to process. To control for the baseline variation on days without central bank news, returns and yield changes on those non-event days are constructed for the same window length as the event returns. To avoid dependence of the results on a particular time of day, control returns are sampled three times per day at 10am, 12pm and 2pm local time. These are the conventions that we also follow elsewhere in the paper, unless otherwise noted. The control group excludes all local cental bank announcements contained in our event database. Using the US as an example, we exclude days with announcements by the Fed but not by other central banks. We have verified that excluding days with announcements by all central banks does not significantly change the results.

Figure 1 in the text summarizes the estimates of the above regressions. Bars in each graph present $\beta_{j,\text{CB}}$ coefficients (along with 95% robust confidence interval), showing the *incremental* effect of communication events relative to the baseline variation in asset prices absent central bank news. The number displayed on each bar reports the slope coefficient divided by the intercept in regression (IA.19), $\beta_{j,\text{CB}}/\gamma_{j,\text{CB}}$. This ratio measures an increase in absolute returns (or yield changes) around a given communication event relative to the average absolute return on other days (e.g., a ratio of 2 means that average absolute returns are 200% higher at an event than the baseline). Detailed regression estimates are presented in Appendix Table B-2.

Table B-2. Reactions of stocks and yields to central bank communication events

This table accompanies Figure 1 in the body of the paper.

Panel A. Fed

	(1) eq	(2) 3m	(3) 2y	(4) 5y	(5) 10y	(6) 30y
Monetary policy decisions (MPD)						
β	24.0	2.61	3.13	3.11	2.07	1.65
	(5.81)	(5.88)	(8.19)	(9.57)	(7.64)	(5.75)
γ	17.5	0.35	0.72	0.81	0.70	0.75
	(106.80)	(64.83)	(88.71)	(102.46)	(107.98)	(116.45)
ratio β/γ	1.37	7.38	4.38	3.85	2.93	2.19
R^2	0.016	0.089	0.086	0.093	0.062	0.040
Press conferences (PC)						
β	21.0	0.20	1.45	1.83	1.47	1.03
	(4.98)	(3.91)	(12.78)	(10.06)	(8.74)	(5.02)
γ	21.7	0.19	0.56	0.96	0.92	1.15
	(68.24)	(48.99)	(65.23)	(70.25)	(72.53)	(74.45)
ratio β/γ	0.97	1.06	2.60	1.90	1.60	0.90
R^2	0.0050	0.0031	0.032	0.020	0.015	0.0051
Minutes of FOMC meetings (MIN)						
β	3.99	0.22	0.70	0.85	0.59	0.28
	(1.42)	(2.29)	(4.46)	(5.04)	(4.42)	(2.30)
γ	31.2	0.56	1.20	1.40	1.23	1.34
	(106.60)	(69.98)	(97.23)	(110.73)	(114.73)	(120.44)
ratio β/γ	0.13	0.40	0.58	0.61	0.48	0.21
R^2	0.00012	0.00050	0.0021	0.0029	0.0020	0.00040

Panel B. ECB

	(1) eq	(2) 3m	(3) 2y	(4) 5y	(5) 10y
Monetary policy decisions (MPD)					
β	2.54	0.74	0.48	0.30	0.14
	(1.47)	(5.54)	(5.63)	(4.24)	(2.56)
γ	17.3	0.29	0.45	0.52	0.51
	(98.21)	(70.22)	(95.04)	(108.57)	(115.57)
ratio β/γ	0.15	2.52	1.06	0.56	0.28
R^2	0.00026	0.031	0.012	0.0045	0.0013
Press conferences (PC)					
β	9.96	1.67	1.84	1.72	1.14
	(3.29)	(8.64)	(8.27)	(8.93)	(8.11)
γ	32.0	0.51	0.84	1.03	1.02
	(101.82)	(74.77)	(96.06)	(107.09)	(115.60)
ratio β/γ	0.31	3.28	2.19	1.67	1.12
R^2	0.0011	0.056	0.042	0.032	0.018

Table B-2. Reactions of stocks and yields to central bank communication events (continued)

This table accompanies Figure 1 in the body of the paper.

Panel C. BOE

	(1) eq	(2) 3m	(3) 10y
Monetary policy decisions (MPD)			
β	3.82	2.20	0.92
	(2.50)	(6.95)	(5.37)
γ	13.3	0.45	0.66
	(102.69)	(76.33)	(116.73)
ratio β/γ	0.29	4.94	1.40
R^2	0.0011	0.089	0.026
Inflation reports (IR)			
β	6.95	2.75	1.56
	(1.81)	(6.56)	(5.03)
γ	26.2	0.70	1.26
	(103.54)	(81.64)	(120.95)
ratio β/γ	0.27	3.95	1.24
R^2	0.00034	0.041	0.0096
Minutes of MPC meetings (MIN)			
β	4.82	1.09	0.82
	(2.31)	(7.18)	(5.71)
γ	26.2	0.70	1.26
	(103.54)	(81.64)	(120.95)
ratio β/γ	0.18	1.56	0.65
R^2	0.00042	0.017	0.0069

Panel D. BOJ

	(1) eq	(2) 10y
Monetary policy decision (MPD)		
β	11.9	0.19
	(3.50)	(3.20)
γ	17.7	0.34
	(71.39)	(66.59)
ratio β/γ	0.67	0.54
R^2	0.0094	0.0057
Minutes of monetary policy meetings (MIN)		
β	35.5	0.21
	(5.73)	(3.47)
γ	32.1	0.59
	(70.78)	(65.87)
ratio β/γ	1.11	0.35
R^2	0.022	0.0022

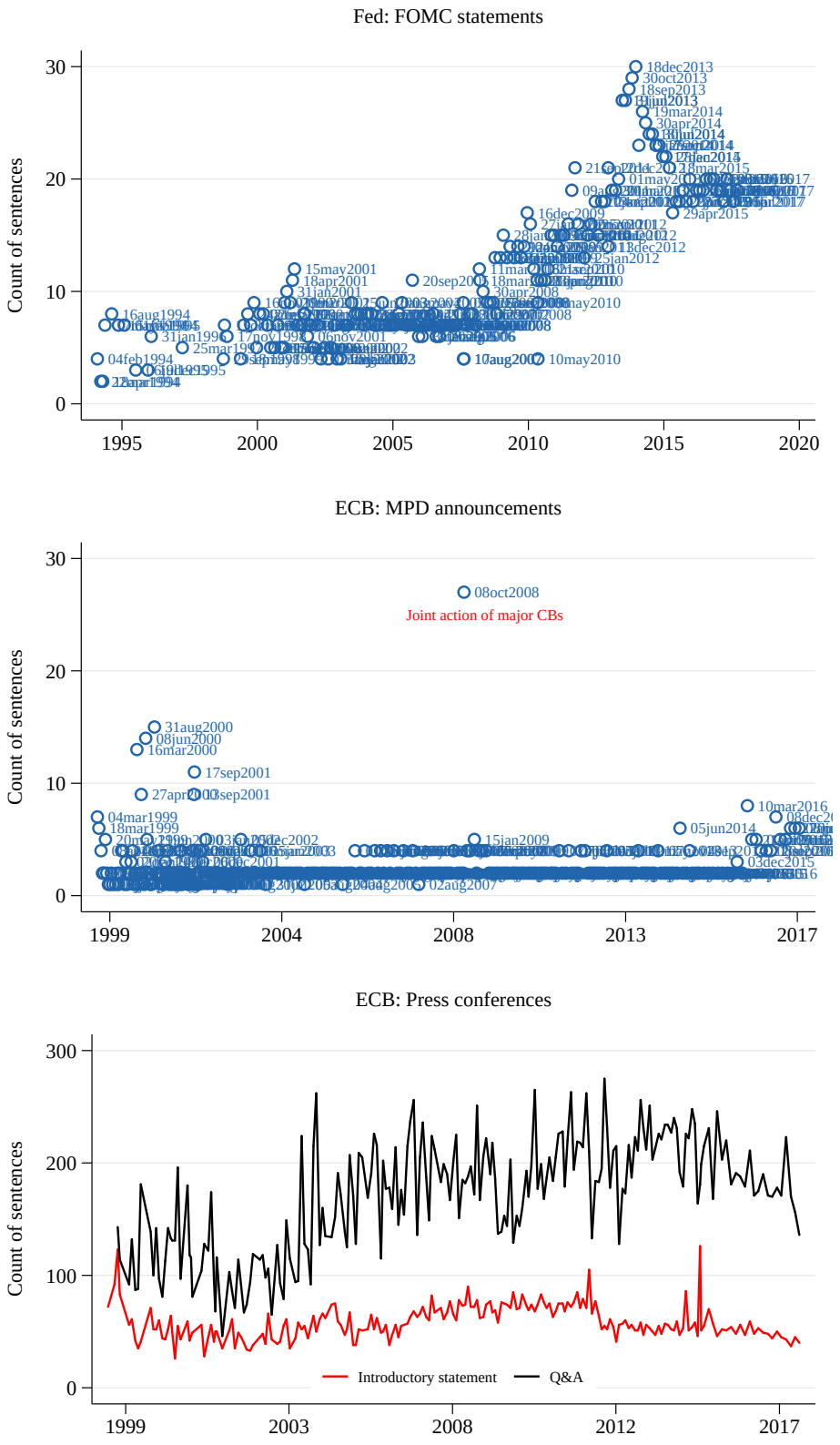


Figure B-1. Variation in the length of monetary policy decision announcements and press conferences over time

The figure presents the count of sentences included in FOMC statements of policy decisions, ECB's monetary policy decisions and ECB's press conferences.

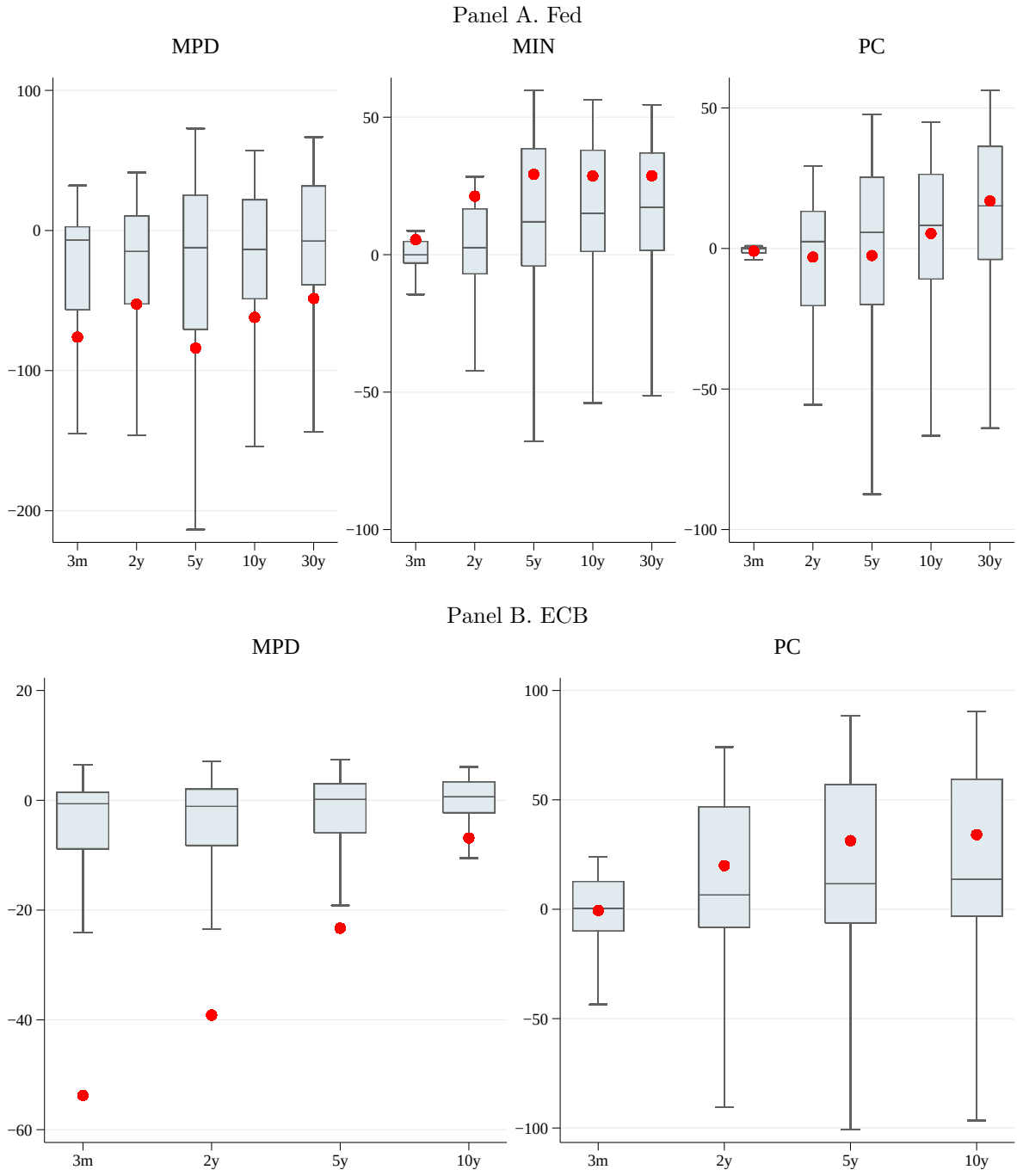


Figure B-2. Term structures of stock-yield covariances (full sample)

The figure accompanies Figure 7 in the body of the paper, and presents the distributions of realized covariances during the full sample. Mean covariances are indicated with circles. The box borders indicate the upper and lower quartiles, the line within the box marks the median. The whiskers identify the largest and smallest adjacent values calculated as upper quartile +1.5×IQR (interquartile range) and lower quartile −1.5×IQR. Extreme values are not shown.

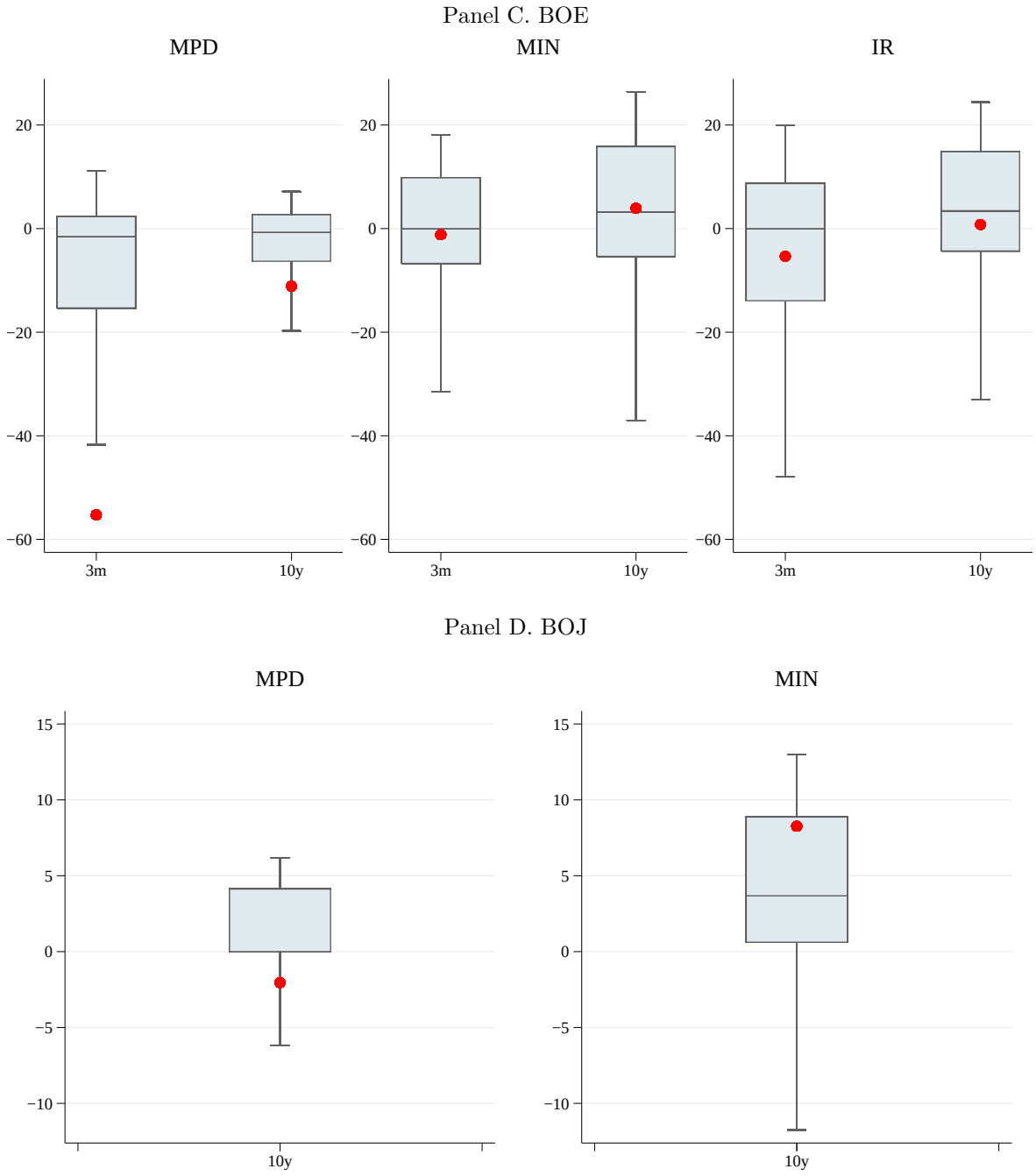


Figure B-2. Term structure of stock-yield covariances around CB communication events (continued)

C. Classification of unconventional monetary policy events

This appendix presents an overview of the types of UMP measures introduced by the Fed, ECB, BOE and BOJ during our sample, and accompanies Section IV.E of the paper.

In the case of the Fed, in Table V, we distinguish the well-known rounds of Quantitative Easing (QE, referred to as QE1, QE2, QE3) as well as the maturity extension program (MEP, also called "Operation Twist"). We also account for early announcements related to the possible removal of monetary stimulus, denoted as "early exit" in Table V, even though the eventual exit from monetary accommodation was repeatedly postponed against the backdrop of a sluggish recovery. The analysis further accounts for exit announcements in the post 2013 period ("late exit"). Among those, we separately treat the taper tantrum in mid-2013, as well as announcements related to the wind-down of the Fed balance sheet in late 2017.

Table VI is based on the classification of the ECB's UMP announcements. A key component of the ECB's UMP toolkit during the crisis were long-term refinancing operations (LTRO) geared towards proving liquidity to the banking sector. In our analysis, we distinguish four main LTRO phases. The first two phases, rolled out during the course of the sub-prime crisis period, were still fairly limited in terms of the maturity of the operations. The third round of LTROs was launched at the height of the euro area sovereign debt crisis in December 2011 and February 2012, and provided banks with funding at attractive rates for three years. After the sovereign debt crisis abated, another round of so-called targeted long-term refinancing operations (TLTRO) was initiated in June 2014, which we classify as phase four. TLTRO provided term funding to euro area banks at attractive rates conditional upon fulfilment of certain criteria (regarding bank lending to the real economy).

Besides those liquidity provision measures, we also account for announcements related to asset purchases, including the launch of the ECB's covered bond purchase programme (CBPP), the securities markets programme (SMP) as well as outright monetary transactions (OMT). In terms of sequencing, the CBPP was already introduced prior to the sovereign debt crisis, mainly to alleviate banks' elevated funding costs. The SMP was launched later, in May 2010, at a time when tensions during the European sovereign debt crisis escalated. It involved purchases of government and corporate fixed income securities from euro area peripheral countries, and purchases were conducted with an aim to repair the broken transmission process of monetary policy. The OMT programme, allowing for (in principle) unlimited asset purchases of sovereign debt (subject to conditionality), had a similar focus. Even though never activated, the OMT is generally thought to have significantly alleviated the euro area sovereign debt crisis. The main goal of these policies, which involved purchases of sovereign debt of countries affected by the crisis, was to repair the broken transmission mechanism of monetary policy and to combat intra-euro area spread widening. With its decision in January 2015 to purchase public sector debt securities (PSPP) on a large scale, the ECB Governing Council formally embarked on QE policies, aimed at fulfilling its price stability mandate. The asset purchase programme, which is still ongoing at the time of writing, was complemented in early 2016 with purchases of corporate bonds via the corporate sector purchase program (CSPP).

Table VII gives an overview of UMP programs by the BOE and the BOJ. In case of the former, we capture the dates when the BOE (in coordination with the UK Treasury) first created its asset purchase facility (APF) and then expanded the amounts held in the facility. Overall, we distinguish four QE phases by the BOE (APF1-APF4), corresponding to distinct phases when holdings of gilts in the APF were significantly expanded.

In light of persistently deflationary environment in Japan and issues related to the zero lower bound, the BOJ started to engage UMP already in the early-2000s. We classify the early phase of the BOJ's QE from 2002 to 2006 as QEP. At the height of the sub-prime crisis, the BOJ introduced further round of bond purchases which we refer to as QEAPP. A major shift, however, occurred in April 2013 when the BOJ launched quantitative and qualitative easing (QQE), a program aimed at expanding the monetary base via purchases of Japanese government bonds. To prop up asset prices, the BOJ also began purchasing local equities (via ETFs) and real estate investment trusts (REITS), and we classify these announcements separately. QQE was then modified with the introduction of negative interest rates (QQE Neg Rates) and the introduction of yield curve control (YCC).