

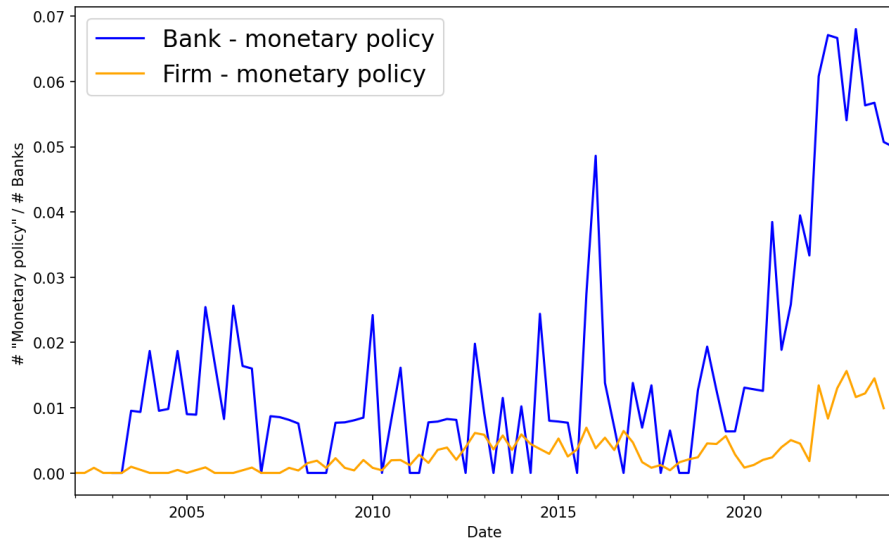
Beyond the Headlines: Measuring Monetary Policy Uncertainty from Bank Earnings Calls

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- Uncertainty about tariffs, economic policy and monetary policy
- For policy-makers:
 - ▶ Monetary policy uncertainty can impact the credibility and trust in the Fed
 - ▶ Forward guidance: communicate to make decisions more predictable
- Monetary policy uncertainty is recessionary (Husted et al., 2020)
- Disagreement on the channels of transmission
 - ▶ Index based on news attention to monetary policy uncertainty: financial frictions (Husted et al., 2020)
 - ▶ Combination of news with market-based instrument: NK model channel through firm entry and exit (Fasani et al., 2023)

Motivation



What I do?

- **This paper:** text-mining techniques to identify bank-level uncertainty about monetary policy
- 10,957 US bank earnings calls from Q1 2001 to Q4 2023
- Count the number of uncertainty synonyms in a 10-word window around a monetary policy bi-gram

- ① Correlation with bank fundamentals: Banks with higher loans-to-deposit ratio and leverage perceive more MPU
- ② Correlation with past forecast errors: Lagged absolute forecast errors predict higher bank-level MPU
- ③ Correlation with SPF interquartile range of interest rate forecasts ($R = 0.62$ since 2014)

- ① What is the *macroeconomic impact* of perceived aggregate monetary policy uncertainty?
 - I create a aggregate indicator of MPU in the banking sector with a new high-frequency identification of belief shocks

MPU Surprises

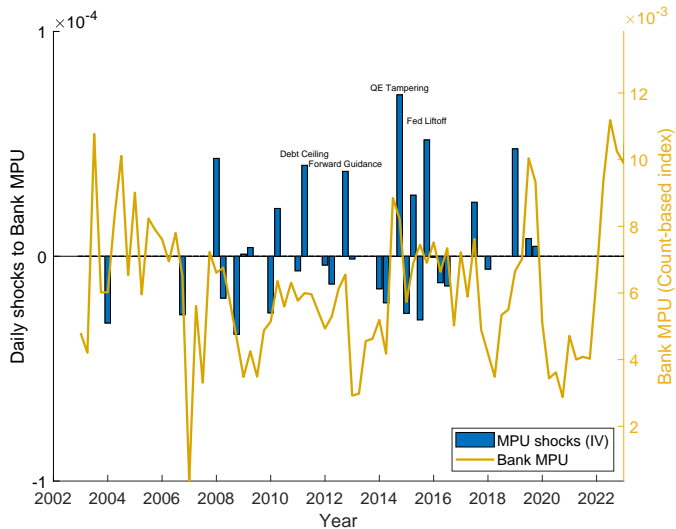


Figure: MPU surprises

- ① What is the *macroeconomic impact* of perceived aggregate monetary policy uncertainty?
 - I create a aggregate indicator of MPU in the banking sector with a new high-frequency identification of belief shocks
 - *Bank MPU shocks reduce GDP by 1.14%*

- ① What is the *macroeconomic impact* of perceived aggregate monetary policy uncertainty?
- ② Is the financial friction channel at play?
 - The bank-level indicator of MPU allows precise identification of the channel using Dealscan
 - *Higher costs of financing*

- ① What is the *macroeconomic impact* of perceived aggregate monetary policy uncertainty?
- ② Is the financial friction channel at play?
- ③ Is there a direct channel at the firm-level?
 - I use a firm-level indicator of MPU to understand the impact of monetary policy uncertainty within firms
 - *Firms perceiving elevated monetary policy uncertainty reduce investment but the magnitude is smaller than for bank MPU*