

Geography or skills: What explains FED watchers' forecast accuracy of US monetary policy?

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Summary of paper

- Accuracy of forecast of US mon pol by financial market participants differs
- Difference related to a number of factors...
- ..among which geography and skills

Comments

- (Analytical) Framework
- Empirics
- Implications

(Analytical) framework

- Could be strengthened!
- Which theories would imply heterogeneity?
- Heterogeneity linked to CB communication, but no discussion of (goals of) communication
- What is the problem?

Empirics

- Multicollinearity or endogeneity?
- Systematic difference between the best and the worst → number of times a forecaster forecasted?
- Market volatility and surprises: why not use a ‘control window’ ending just before the decision is released?
- Good forecast of US monetary policy versus a forecast of good US monetary policy?

Implications

- Stark difference in (policy) prescriptions with ‘ECB counterpart study’ (ECB WP 578). Why?
- Relationship with framework
- When linking to communication, link outcome (heterogeneity, financial markets reaction) to goal of cb in its comm policy

Concluding

- Nice work, continue!
- Usefulness could further increase...
 - ... by strengthening framework...
 - ... and solving the endogeneity problem