Discussion of:
“Effects of Banco de la Republica’s Communication on the Yield Curve”

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Recap: Central Bank Communications and Yields

What the paper does:

- Evaluates effects of public signals from
  1. Minutes of Monetary Committee meeting (MMC)
  2. Inflation Reports (IR)
- Include both numeric and narrative signals

What the paper finds:

1. No effects from numerical signals (IR only)
2. ...but significant effects from narrative signals (both IR and MMC)
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Recap: Main Result

1. Narrative signals about *domestic conditions and inflation* affect yields at most maturities

2. No clear separation between signals that affect short- and long-term component of the yield curve

3. No evidence of ‘uncertainty channel’ (Hansen et al, 2019)

4. Little to no impact from IR: no new information?
1. Interpreting the results: which transmission channels are at work here?

2. Information content of signals: dig deeper on the ‘news’ components in the signals.
Transmission channels

- **Monetary policy reaction function**
  1. short-term: response to deviations from long-run objectives
  2. long-term: objectives such inflation target or equilibrium interest rate

- **Information effects**
  1. Expectations: outlook (both short- and long-term)
  2. Term premium: uncertainty around the outlook (primarily long-term)
Transmission channels

Would like to see more discussion about signals in IR and MMC:

- Hansen et al. (2019): IR policy-free information: what about here?

- What about the minutes? information about policy beyond the press conference?
A Long-Shot: Un-anchored Expectations?

- Key difference with UK study (Hansen et al, 2019): no clear separation between signals affecting short-term and long-term. Why?

- Uncertainty about long-run policy goals: signals about inflation and business cycle affects the whole term structure
  - Agents trying to separate cyclical and trend components from signals.
  - Topic inflation target and inflation expectations suggests this might be an important channel

- Where to look: effects on the expectations component of the yield curve? Any information from forecast from surveys?
Are signals ‘news’? No information in IR

Timing: IR after MMC after Press Conference:

- You control: num. vs. narrative signals within IR or MMC...

- ...but how much information in IR is already contained in MMC? Can we control for that?
Are signals ‘news’? No information in IR

- Can narrative signals in MMC ‘explain’ numerical signals in IR? Are narrative signals equally or more informative relative to numerical signals?

- Can we find other factors that can predict surprises from IR?
  - past surprises
  - macroeconomic news (i.e. similar to labor report surprises in the US)

- What about directional interpretation of signals?
Conclusions

- Very nice and informative paper on the role of Central Bank Communication

- Expand discussion on the possible channels for information transmission

- Deeper analysis of the information content of signals: in particular, the Inflation Report relative to the Minutes