



# Stock Prices, News, and Economic Fluctuations

Paul Beaudry

Franck Portier

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## Article Information

### Abstract

We show that the joint behavior of stock prices and TFP favors a view of business cycles driven largely by a shock that does not affect productivity in the short run and therefore does not look like a standard technology shock but affects productivity with substantial delay and therefore does not look like a monetary shock. One structural interpretation for this shock is that it represents news about future technological opportunities which is first captured in stock prices. This shock causes a boom in consumption, investment, and hours worked that precedes productivity growth by a few years, and explains about 50 percent of business cycle fluctuations. (JEL G12, E32, E44)

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## Additional Materials

Replication Package (128.03 KB)

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## JEL Classification

**E32** Business Fluctuations; Cycles

**E44** Financial Markets and the Macroeconomy

**G14** Information and Market Efficiency; Event Studies; Insider Trading

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