

[< Home](#)

The Economics of the Fed Put

Anna Cieslak & Annette Vissing-Jorgensen

SHARE   

WORKING PAPER 26894

DOI 10.3386/w26894

ISSUE DATE March 2020

Since the mid-1990s, low stock returns predict accommodating policy by the Federal Reserve. This fact emerges because, over this period, negative stock returns comove with downgrades to the Fed's growth expectations. Textual analysis of the FOMC documents reveals that policymakers pay attention to the stock market, and their negative stock-market mentions predict federal funds rate cuts. The primary mechanism why policymakers find the stock market informative is via its effect on consumption, with a smaller role for the market viewed as predicting the economy.

[Download a PDF](#)

[Information on access](#)

Acknowledgements and Disclosures



Download Citation



Associated Links



Non-Technical Summaries

Why Does the Federal Reserve React to Market Downturns?

AUTHOR(S): [Callum J. Jones](#) [Thomas Philippon](#) [Venky Venkateswaran](#)

Since the mid-1990s, negative stock returns comove with downgrades to the Fed's growth expectations and predict policy accommodations...

Published Versions

Anna Cieslak & Annette Vissing-Jorgensen & Ralph Koijen, 2021. "[The Economics of the Fed Put](#)," The Review of Financial Studies, vol 34(9), pages 4045-4089. citation courtesy of [RePEc](#)

Related

TOPICS

[Macroeconomics](#)
[Money and Interest Rates](#)
[Monetary Policy](#)

PROGRAMS

[Asset Pricing](#)
[Economic Fluctuations and Growth](#)
[Monetary Economics](#)

CONFERENCES

[Asset Pricing Program Meeting, Fall 2017](#)

More from NBER

In addition to [working papers](#), the NBER disseminates affiliates' latest findings through a range of free periodicals — the [NBER Reporter](#), the [NBER Digest](#), the [Bulletin on Retirement and Disability](#), the [Bulletin on Health](#), and the [Bulletin on Entrepreneurship](#) — as well as online [conference reports](#), [video lectures](#), and [interviews](#).



16th Annual Martin Feldstein Lecture:

Lessons for Economists from the Pandemic

Cecilia E. Rouse, The Brookings Institution
and Princeton University
July 22, 2024

2024, 16th Annual Feldstein Lecture, Cecilia E. Rouse, "Lessons for Economists from the Pandemic"

FELDSTEIN LECTURE

PRESENTER: [CECILIA E. ROUSE](#)

Cecilia Rouse, president of the Brookings Institution and a professor at Princeton University, who chaired the Council...



Methods Lectures, Summer Institute 2024:

Analysis and Design of Multi-Armed Bandit Experiments and Policy Learning

Susan Athey, Stanford University and NBER
July 25, 2024

2024 Methods Lecture, Susan Athey, "Analysis and Design of Multi-Armed Bandit Experiments and Policy Learning"

METHODS LECTURES

PRESENTER: [SUSAN ATHEY](#)

Background Materials: [backgroundAthey](#), Susan, Undral Byambadalai, Vitor Hadad, Sanath Kumar Krishnamurthy, Weiwen Leung...



Economics of Social Security Panel Discussion

Earnings Inequality and Payroll Tax Revenues

Karen Dynan, Harvard University
Karen Glenn, Social Security Administration
Stephen Goss, Social Security Administration
Fatih Guvenen, University of Minnesota and NBER
James Pearce, US Congressional Budget Office
NBER Summer Institute, July 24, 2024

2024, Economics of Social Security Panel, "Earnings Inequality and Payroll Tax Revenues"

National Bureau of Economic Research

[Contact Us](#)

1050 Massachusetts Avenue
Cambridge, MA 02138
[617-868-3900](tel:617-868-3900)
info@nber.org
webaccessibility@nber.org

[HOMEPAGE](#)

[Accessibility Policy](#)

[Diversity Policy](#)

[Privacy Policy](#)

FOLLOW

