

[Working Papers](#)

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](#).



15th Annual Martin Feldstein Lecture:

The Next Flight of the Bumblebee: The Path to Common Fiscal Policy in the Eurozone

Mario Draghi, former President, European
Central Bank and former Prime Minister, Italy
Summer Institute, 2023

2023, 15th Annual Feldstein Lecture, Mario Draghi, "The Next Flight of the Bumblebee: The Path to Common Fiscal Policy in the Eurozone"

LECTURE

Dr. Mario Draghi, who served as President of the European Central Bank and Prime Minister of Italy, presented the 2023...



Methods Lecture:

Linear Panel Event Studies

Jesse M. Shapiro, Harvard University and NBER

Liyang Sun, CEMFI

July 28, 2023

2023 Methods Lectures, Jesse Shapiro and Liyang (Sophie) Sun, "Linear Panel Event Studies"

LECTURE

Overview: Linear panel event studies are increasingly used to estimate and plot causal effects of changes in policies...



Panel Discussion:

Long-Term Dynamics of the Employment-to-Population Ratio

Karen Glenn, Social Security Administration

Stephen Goss, Social Security Administration

Nicole Maestas, Harvard University and NBER

Julie Topoleski, Congressional Budget Office

July 26, 2023



2023, SI Economics of Social Security, Panel, "Long-Term Dynamics of the Employment-to-Population Ratio"

Supported by the Alfred P. Sloan Foundation, the National Science Foundation, and the Lynde and Harry Bradley...

National Bureau of Economic Research

Contact Us

1050 Massachusetts Avenue
Cambridge, MA 02138
617-868-3900
info@nber.org
webaccessibility@nber.org

HOME PAGE

Accessibility Policy

Diversity Policy

Privacy Policy

FOLLOW

