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Communicating Monetary Policy by Committee: Echoes That Move Markets

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Macroeconomics and Monetary Economics

Central banks rarely speak with one voice. At the Federal Reserve, for instance, each official has their own distinct perspective on the economy and monetary policy, and financial market participants parse every Fed speech for hints of where policy is headed. Different views may help make better policy decisions. But do they also help when explaining those decisions to the public? And what happens when voices diverge? In this *Chicago Fed Insights* article, which draws on our recent research ([Djourelova et al., 2025](#)), we show that alignment in central bank communications matters: Speeches that echo the Fed Chair's press conference after the Federal Open Market Committee (FOMC) meeting reinforce monetary transmission, while dissonant voices create noise that weakens it.¹

A large literature shows that how Federal Reserve officials speak matters as much as what the Fed decides (for a review, see [Bauer and Swanson, 2023](#)). New evidence from our recent research on FOMC members' speeches outside the Chair's remarks during the post-FOMC meeting press conference shows how financial markets react to those speeches ([Djourelova et al., 2025](#)). Our study highlights both the advantages and challenges of central bank communications in a committee setting. From our research we conclude that aligned central bank remarks are not to be dismissed as merely redundant messaging, suggesting that a plurality of voices reinforces the impact of monetary policy communications. Speeches aligned with the Chair's message strengthen monetary transmission, while dissonant voices create noise that weakens the Fed's ability to steer inflation expectations. The key lesson from our paper is that many voices can strengthen central bank communications if they are in harmony.

Market impact of FOMC voices

In our recent study, we compiled 481 time-stamped speeches by FOMC members since 2007, excluding official press conferences, and paired each speech with intraday movements in short-maturity interest-rate futures to construct a high-frequency monetary policy speech (MPS) surprise.² We study the effects of these surprises on a set of daily macro-financial variables, comprising short- and long-term interest rates, inflation expectations, and stock prices.

We find that MPS surprises shift the U.S. Treasury yield curve³ in the expected direction— i.e., the yield curve flattens when monetary policy tightens (while it steepens when policy eases). These surprises, however, leave little trace on inflation expectations or stock prices. A 1 basis point tightening MPS surprise translates into roughly 1 basis point increases in one-year to five-year Treasury yields, with modest persistence and little explanatory power for daily return variation. This finding likely reflects the aggregation of numerous heterogeneous signals conveyed by FOMC members through their public remarks.

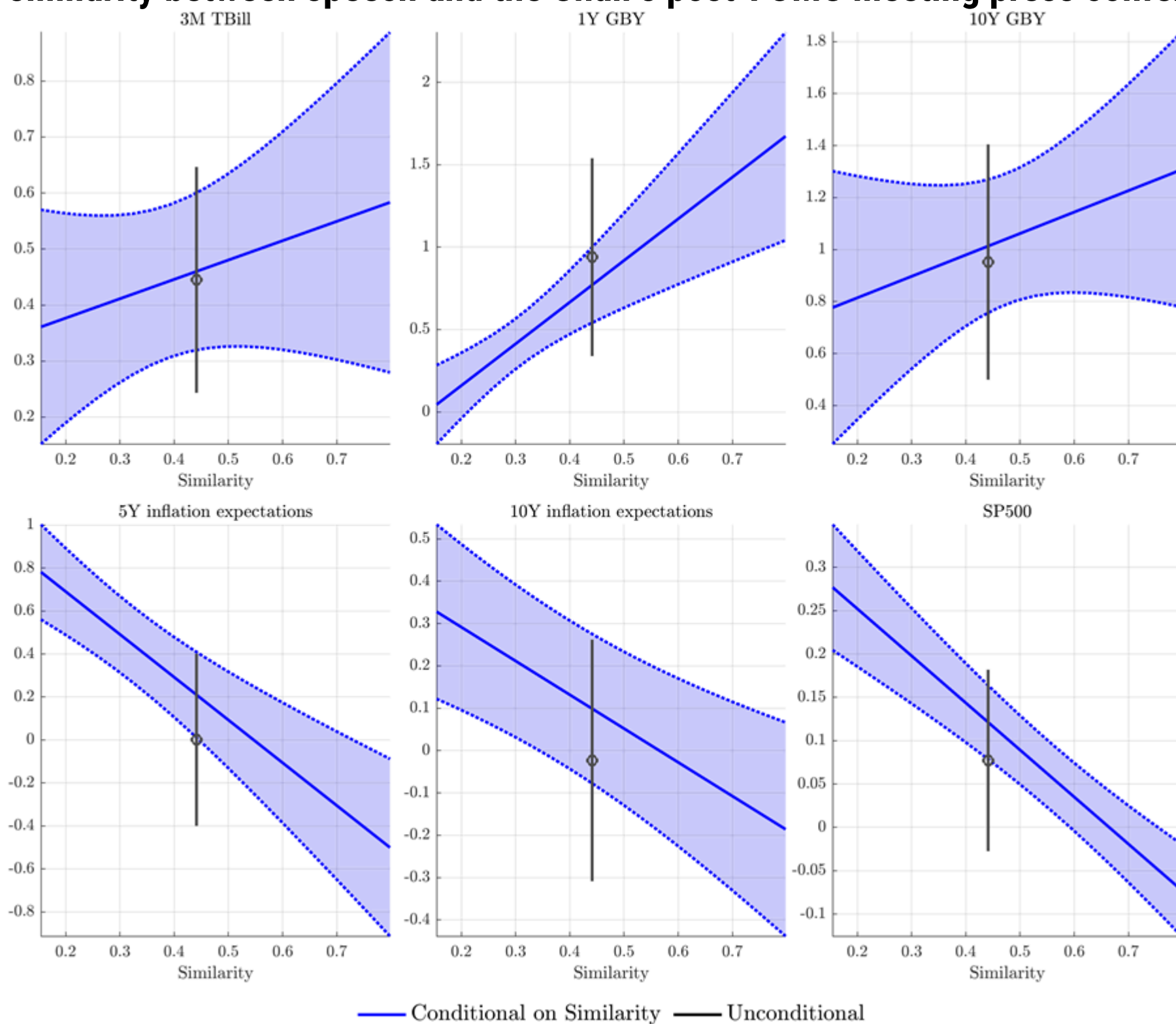
To take into account this heterogeneity in Fed speeches, we compute an index to measure textual similarity between each speech and the Fed Chair's most recent post-FOMC meeting press conference that precedes it. This alignment index gives us an interpretable conditioning variable: The more a speech echoes the Chair's message, the higher its textual similarity score.⁴

Conditioning MPS-surprise-induced revisions on speeches' textual similarity reveals a clear pattern: Tightening MPS surprises from speeches closely aligned with the Fed Chair's message prompt a front-loaded rise in short-term yields and declines in inflation expectations and equity prices, resembling the transmission of standard monetary policy shocks. By contrast, dissonant tightening MPS surprises (i.e., from speeches that diverge from the Chair's message) prompt a more moderate upward shift in the yield curve and increases in inflation expectations and stock prices.

Reinforcement versus dissonance in FOMC communication

Figure 1 illustrates how the financial market response to a tightening monetary policy speech surprise varies with the speech's similarity to the Fed Chair's most recent post-FOMC meeting press conference. Each panel plots the one-day response of a key financial variable against the degree of textual similarity, with shaded bands showing 90% confidence intervals. The solid blue line traces the conditional response at each similarity level, while the black circle represents the unconditional mean effect of a tightening surprise.

1. Responses of financial variables to a tightening MPS surprise, by textual similarity between speech and the Chair's post-FOMC meeting press conference



Notes: This figure shows the responses of financial variables to a tightening monetary policy speech (MPS) surprise across different levels of textual similarity between the speech and the Chair's post-Federal Open Market Committee (FOMC) meeting press conference that preceded it, measured one day after the speech was given. The response of each variable is the blue line, with the blue shaded bands surrounding it reporting the 90% confidence intervals. Black circles indicate the unconditional effect of the MPS surprise (estimated without interacting the surprise with the textual similarity measure), plus the black lines stemming from the circles indicate the 90% confidence intervals. All vertical axis values (reflecting a variable's responses) are in basis points. 3M TBill stands for the three-month Treasury bill yield. 1Y GBY and 10Y GBY denote the government bond yield (i.e., the nominal U.S. Treasury yield) at the one-year and ten-year maturity. 5Y and 10Y inflation expectations correspond to market-based measures of expected inflation over five-year and ten-year horizons. SP500 refers to the daily excess return on the Standard and Poor's (S&P) 500 index.

Source: Djourelova et al. (2025).

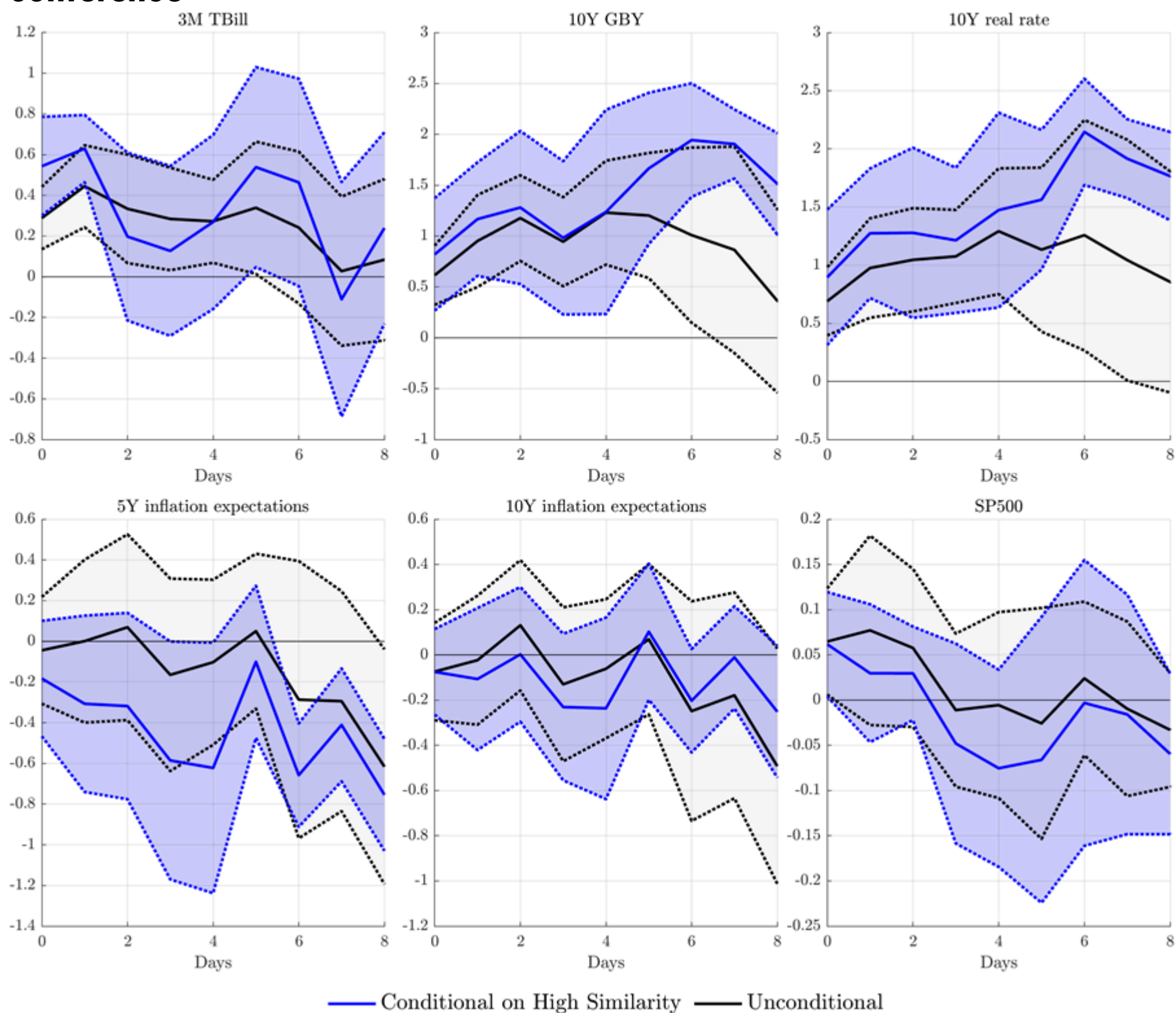
Within each panel of figure 1, moving from left (low similarity) to right (high similarity) reveals a clear pattern. When speeches are more similar to the Fed Chair's post-FOMC meeting message, the market reaction resembles that of a conventional monetary tightening: short-term rates (three-month T-bill and one-year Treasury yields) increase sharply, long-term yields (e.g., the ten-year Treasury yield) also rise, inflation expectations decline, and equity prices fall. The magnitude of these effects grows steadily with textual similarity, suggesting that financial markets interpret speeches highly aligned with the Chair's post-FOMC meeting press conference as reinforcing the policy signal conveyed by the prior FOMC meeting.

At the other end of the spectrum, when textual similarity is low, the same tightening surprises elicit smaller or less systematic movements in yields and asset prices. The slope of the response flattens, and in the case of inflation expectations and equities, the relationship may even reverse. This pattern indicates that speeches diverging in tone, emphasis, or content from the Chair’s message tend to blur the policy signal, leading financial markets to reassess rather than reaffirm the stance of monetary policy.

Overall, figure 1 shows that alignment in central bank communications strengthens the link between FOMC speeches and market outcomes. Notably, high textual similarity with the Chair’s post-FOMC meeting message does not make such speeches redundant: Even closely aligned statements convey incremental information about how policymakers collectively view the economy and the path of monetary policy.

Figure 2 shows the market response to MPS surprises when the content of the speech closely resembles the Chair’s post-FOMC meeting press conference. The solid blue lines plot the average response to tightening MPS surprises based on speeches with *high textual similarity to the Chair’s post-FOMC meeting message*—i.e., those more than one standard deviation above the sample mean in textual similarity—while black lines show the unconditional response across all MPS surprises.

2. Responses of financial variables to a tightening MPS surprise based on speeches with high textual similarity to the Chair's post-FOMC meeting press conference



Notes: This figure shows the responses of financial variables to a monetary policy speech (MPS) surprise, from the day the speech was given (at the zero mark along the horizontal axis) to eight days afterward, based on speeches with high textual similarity to the Chair's post-Federal Open Market Committee (FOMC) meeting press conference preceding each speech. That is, we focus on responses to MPS surprises based on speeches with textual similarity more than one standard deviation above the sample mean. For such an MPS surprise, the response of each variable is the blue line, with the blue shaded bands surrounding it reporting the 90% confidence intervals. For the unconditional effect of the MPS surprise (estimated without interacting the surprise with the textual similarity measure), the response is the black line, with the gray shaded bands surrounding it reporting the 90% confidence intervals. All vertical axis values (reflecting a variable's responses) are in basis points. 3M TBill stands for the three-month Treasury bill yield. 10Y GBY denotes the government bond yield (i.e., the nominal U.S. Treasury yield) at the ten-year maturity. 10Y real rate indicates the ten-year Treasury yield implied by inflation-indexed securities. 5Y and 10Y inflation expectations correspond to market-based measures of expected inflation over five-year and ten-year horizons. SP500 refers to the daily excess return on the Standard and Poor's (S&P) 500 index.

Source: Djourelouva et al. (2025).

Short-term rates (e.g., the three-month Treasury bill yield) and long-term yields (e.g., the ten-year Treasury yield) increase following the highly textually aligned speeches, consistent with the transmission pattern of a conventional monetary tightening. Inflation expectations at both five-year and ten-year horizons move lower and equity prices decline, suggesting that financial markets interpret the highly textually aligned speeches as signaling a stronger anti-inflation stance rather than improved economic prospects.

The comparison with the unconditional response across all MPS surprises highlights how similarity in communications sharpens financial market reactions and strengthens the propagation of monetary policy signals. Excluding the Chair's own speeches (outside of post-FOMC meeting press conferences) produces nearly identical results, indicating that investors also update their expectations when other FOMC members convey a message that is closely aligned with the Chair's.

Echoes that move markets: Reinforcing speeches and policy transmission

Taken together, these results underscore the challenge of communicating monetary policy through a committee. The effective management of expectations requires some degree of alignment between committee members' public remarks: Dissonant messages create noise that disrupts the usual transmission of monetary policy signals, while speeches similar to the Chair's post-FOMC meeting press conferences reinforce the earlier messages, demonstrating that speeches are valued rather than dismissed as redundant signals.

Why does alignment in communications reinforce the transmission of monetary policy? Several explanations are possible. When a speech reiterates what the Chair has previously communicated, it sharpens the policy signal, enhances understanding, and strengthens the credibility of the original message. A speech echoing the Chair's earlier message may also convey that the policy stance announced by the FOMC enjoys broad support within the Committee.

In contrast, dissonant speeches (those diverging from the Chair's earlier message) may signal that consensus around the post-FOMC meeting policy stance is weakening or rests on only narrow support within the Committee. Our analysis shows that these speeches exert their influence in a distinct way. Whether the dissonance reflects an effort to pre-emptively signal a policy shift ahead of the next FOMC meeting or simply conveys an individual view that markets deem influential for the expected policy path, the resulting MPS surprise fails to generate the intended effects. Following a dissonant tightening surprise, inflation expectations rise and stock prices increase, reflecting stronger near-term growth prospects.

Divergence from earlier FOMC messages may also lead markets to conclude that new information has emerged since the last FOMC meeting, prompting a reassessment of the outlook. In such cases, dissonant speeches can trigger *Delphic effects*, shifting expectations in the opposite direction from earlier communications.⁵ For example, if a policymaker unexpectedly adopts a more hawkish tone, markets may interpret this as a sign that the FOMC is increasingly concerned about the economy overheating, which could raise inflation expectations and trigger a bullish reaction in equity markets.⁶

Conclusion

Our analysis underscores some of the key challenges that arise in central bank communications within a committee framework. We show that alignment in such communications is not to be dismissed as a redundancy: Alignment across Fed press conferences and speeches strengthens monetary transmission. Conversely, dissonant voices create noise that weakens the central bank's ability to steer inflation expectations and stabilize the economy. The key lesson is that multiple voices can strengthen central bank communications, provided they are aligned to some degree.

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Notes

¹ A somewhat different version of this article recently appeared as a [column on VoxEU](#), the policy portal of the Centre for Economic Policy Research (CEPR).

² We rely on widely used techniques to measure the revision in the market's expectations about the evolution of policy rates. See, e.g., [Cook and Hahn \(1989\)](#), [Kuttner \(2001\)](#), [Cochrane and Piazzesi \(2002\)](#), [Gürkaynak et al. \(2005\)](#), and [Nakamura and Steinsson \(2018\)](#). We construct the MPS surprise by taking the first principal component of five-minute changes in eurodollar futures (ED1–ED4) within a 30-minute window bracketing each speech (10 minutes before its start to 20 minutes after its end) and normalize it by rescaling that component to have unit variance in the ED4 contract. [Ragusa et al. \(2020\)](#) study policy communications of the European Central Bank (ECB) and map these communications onto U.S. Treasury yield curve changes by studying the information flow on days when a monetary policy decision is communicated. We abstract from the effects of central bank communications via social networks ([Peia et al., 2022](#)).

³ A yield curve is the line that plots the yields (or interest rates) of assets of the same credit quality (e.g., various U.S. Treasury securities), but with differing maturity dates at one point in time (e.g., short-term Treasury bills versus longer-term Treasury notes and bonds).

⁴ All identification details—including event windows, the construction of the MPS surprise, alternative similarity measures, and robustness excluding the Fed Chair's speeches—are in [Djourelouva et al. \(2025\)](#). Readers seeking regression specifications should also consult our paper.

⁵ In monetary policy communications, *Delphic effects* occur when financial markets react to a central bank’s announcement because it reveals information about how the economy is likely to evolve, not necessarily because the central bank intends to change its monetary policy stance. By contrast, *Odyssean effects* arise when a central bank’s announcement is interpreted as a credible commitment to a particular future policy path. Thus, a Delphic signal shifts expectations about an economy’s fundamentals, whereas an Odyssean signal alters expectations about future policy actions.

⁶ This interpretation aligns with recent evidence from [Granziera et al. \(2025\)](#), who document Delphic effects following FOMC members’ speeches. Their analysis emphasizes the type of speech—whether hawkish or dovish—rather than similarities between speeches and the Chair’s post-FOMC meeting press conference. Similarly, [Byrne et al. \(2023\)](#) show that the communication of past information, reflecting how central banks assess the economy, constitutes an important driver of market reactions in both the U.S. and the euro area.

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