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FOMC Communication Spillovers: Is There a “Call-Out” Effect?

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Foreign asset prices may react to FOMC communication that references specific countries, but the effects are minimal.

Although the Federal Open Market Committee (FOMC) has a domestic mission, announcements from the FOMC can spill over to asset prices in foreign markets. To date, research has treated news in U.S. monetary policy announcements as a global shock that produces uniform spillovers; whether these spillovers sometimes reflect market-specific information has remained an open question. Above-average movements in foreign asset markets following the release of FOMC minutes suggest that foreign asset prices may react to FOMC communication that specifically references foreign countries, currencies, and central banks—a potential “call-out effect” of U.S. monetary policy communication.

Karlye Dilts Stedman and Chaitri Gulati present several observations that shed more systematic light on the market-specific content of international spillovers. Although they do find some evidence that mentions of specific countries in FOMC minutes can influence asset prices, these effects are modest and may reflect increased sensitivity to monetary policy shocks rather than the release of country-specific information. Thus, a “call-out effect” of U.S. monetary policy communication may be minimal.

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