Research Working Papers

Evaluating Local Language Models: An Application to Bank Earnings Calls

by: Thomas R. Cook, Sophia Kazinnik, Anne Lundgaard Hansen and Peter McAdam

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We find local large language models useful in analyzing bank earnings calls after the banking stress of early 2023.

This study evaluates the performance of local large language models (LLMs) in interpreting financial texts, compared with closed-source, cloud-based models. We first introduce new benchmarking tasks for assessing LLM performance in analyzing financial and economic texts and explore the refinements needed to improve its performance. Our benchmarking results suggest local LLMs are a viable tool for general natural language processing analysis of these texts. We then leverage local LLMs to analyze the tone and substance of bank earnings calls in the post-pandemic era, including calls conducted during the banking stress of early 2023. We analyze remarks in bank earnings calls in terms of topics discussed, overall sentiment, temporal orientation, and vagueness. We find that after the banking stress in early 2023, banks tended to converge to a similar set of topics for discussion and to espouse a distinctly less positive sentiment.

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Article Citations


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Authors

Thomas R. Cook
Data Scientist
Tom Cook is a Data Scientist in the Economic Research Department of the Federal Reserve Bank of Kansas City. He joined the bank in August 2016 after completing his PhD in Political Science at the University of Colorado. He also holds an MPA from DePaul University, and a BA in Philosophy and Political Science from the University of Iowa. His substantive research interests are the roles of time and information transmission in political and economic strategic behavior. Methodologically, his research at the bank focuses on the development of machine learning, neural networks, and advanced statistical models for use in economic research.

Peter McAdam
Sr. Research and Policy Advisor
Peter McAdam is a Senior Research and Policy Advisor in the Economic Research Department of the Federal Reserve Bank of Kansas City. Previously, Mr. McAdam worked at the research department at the European Central Bank. His main areas of interest are in applied macroeconomics, growth theory and econometrics. He holds a M.Sc in economics and econometrics from the University of Glasgow, and a Ph.D. in economics from the University of Strathclyde.