

Forecast Dispersion and the Price Impact of Macroeconomic News

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Markets react less when forecasters disagree

The setting. Before each US macro release, about 60 forecasters submit a number. Their median is the **consensus**; their spread is **dispersion**.

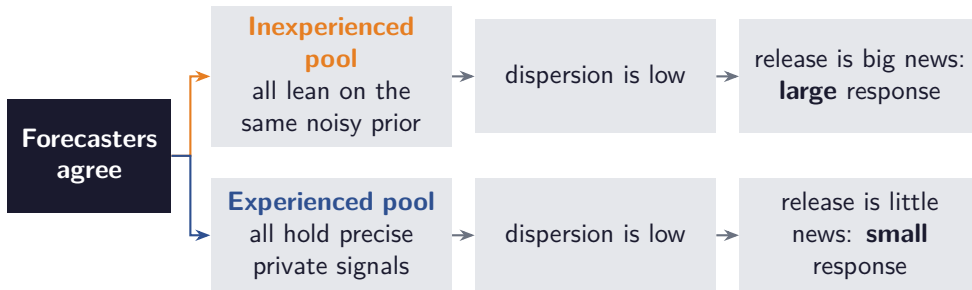
The finding. The *same* surprise moves prices *less* when forecasters disagreed:

- Forecasts 195k, 200k, 205k; payrolls 250k $\Rightarrow$ a **big** move
- Forecasts 120k, 200k, 280k; payrolls 250k $\Rightarrow$ a **smaller** move

One SD more dispersion: a 12–23% smaller response Stocks and Treasuries, 25 major releases, 1997–2021).

Why is it a puzzle? If disagreement measured “uncertainty”, the release should move prices *more*, not less.

This paper's answer: Forecasters can agree for two opposite reasons



Key idea: When forecasters agree, markets sometimes react more to the release and sometimes less. Which one happens depends on who is forecasting.

Comment 1 of 4

Is this a puzzle?

Forecasters can also disagree for two reasons

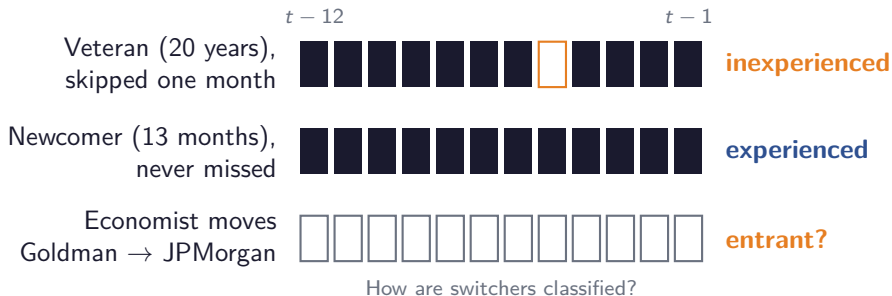


If disagreement is in response to a **noisy release**, a smaller reaction is no puzzle (Born, Dovern and Enders 2023). Suggestion: exclude known disruptions months, check whether high-dispersion surprises reverse in subsequent releases.

Comment 2 of 4

What does “experience” measure? Is it experience or attention?

“Experienced” = never missed a release in 12 months

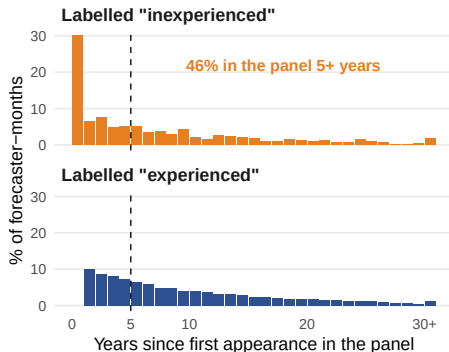


One missed release counts for a year. The rule is harsher for frequent releases: weekly jobless claims need 52 of 52 (10% “experienced”); payrolls need 12 of 12 (55%).

Blue Chip: “inexperienced” means “skipped a survey”

The paper’s rule on Blue Chip fed funds forecasts, 1994–2025:

- Share “experienced” is **0.77** (Bloomberg: 0.39)
- **47%** of the “inexperienced” missed exactly *one* of the last 12 surveys
- Is this attendance or experience?
Suggestion: measure experience as *years since an economist’s first forecast*, followed across firms, and horse-race it against attendance.



Source: my calculations, Blue Chip Financial Forecasts.

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Who shows up depends on the news

A hypothetical: attention creates a hidden common cause

Quiet years



20 regulars
share experienced = 1.0

■ CPI reaction: 1 bp

■ regular (never misses)

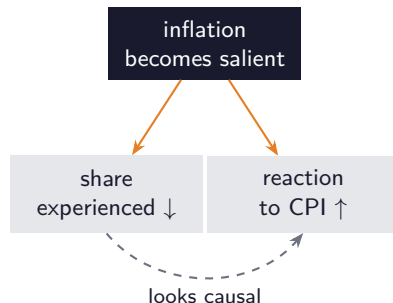
■ occasional (joins when CPI matters)

Inflation is the story



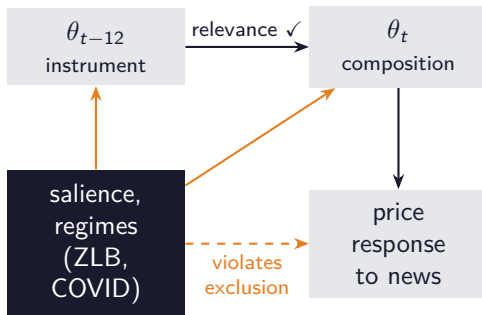
20 regulars + 20 occasional
share experienced = 0.5

■ 5 bps



Attention is a choice: when inflation becomes topical, occasional forecasters join and markets react more. A low share goes with a big reaction, although nobody's information got noisier. This story, and the paper story give the same negative coeff on $S \times \text{ExpShare}$.

Salience lasts more than a year, so the instrument inherits it



Relevance ✓ Last year's share must predict today's share.

Exclusion? Last year's share may affect today's price reaction only through today's share, with no other route.:

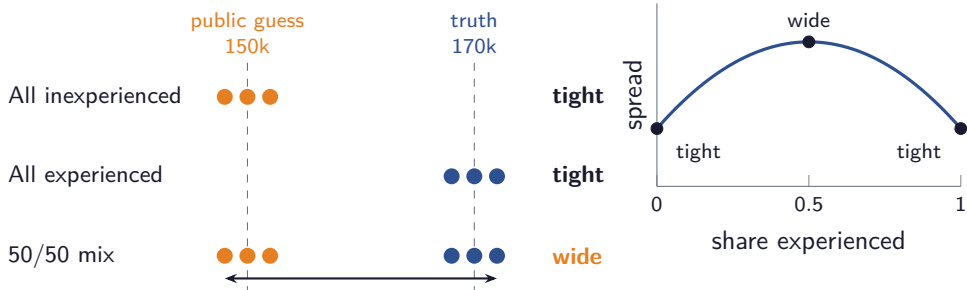
- regimes could outlast a year: ZLB ≈ 7 years, COVID ≈ 2 years

Checks: placebo with the lead θ_{t+12} ; add $S \times \text{year}$.

Comment 4 of 4

Do the tests pin down the mechanism?

TP1: mixing *any* two groups produces a hump



Each group huddles; mix them and there are **two huddles**.

Any two groups in different places give this hump. Regulars submit earlier (Table 4): early $\approx 150k$, late $\approx 170k$ gives the same picture. So TP1 cannot single out the mechanism.

The story's first step can be checked without prices



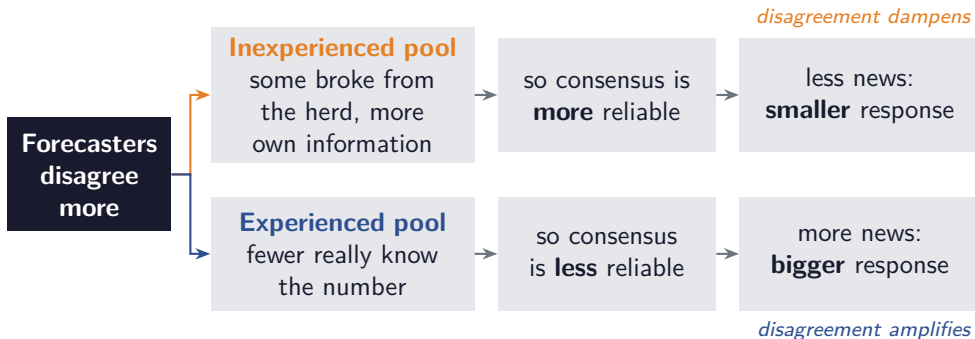
The story predicts

All copy a guess of 150k, truth is 170k: the consensus misses by 20k. So agreeing (amongst inexperienced) should mean **bigger** misses.

Table C.11 (low-share pools)

Miss when they agree: **0.52** SD; when they disagree: **0.86** SD. **The opposite.**

TP2: more disagreement means opposite things in the two pools



TP2: as *ExpShare* rises, the effect of disagreement **flips sign**, from dampening to amplifying. Does Table 6 show this?

TP2: Eq. 25, Table 6, col. 1 (stocks, bp)

$$R_{k,d} = \underbrace{\beta}_{18.34} S_{n,d} + \underbrace{\lambda_{S \times ES}}_{-38.44} S_{n,d} \cdot ExpShare_{n,t(d)} + \underbrace{\delta_1}_{-4.81} S_{n,d} \cdot Disp_{n,d} + \underbrace{\delta_2}_{9.65} S_{n,d} \cdot Disp_{n,d} \cdot ExpShare_{n,t(d)} + ..$$

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Lets look at the stock response to a 1 SD surprise ($S_{n,d} = 1$ vs. 0):

$$\text{Response} = 18.34 - 38.44 \cdot ExpShare - 4.81 \cdot Disp + 9.65 \cdot Disp \cdot ExpShare$$

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	Pool A ($ExpShare = 0.1$)	Pool B ($ExpShare = 0.6$)
Low disagreement ($Disp = 0$)	$18.34 - 38.44 \times 0.1 = +14.5$	$18.34 - 38.44 \times 0.6 = -4.7$

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Disagreement adds	$-4.81 + 9.65 \times 0.1 = -3.85$	$-4.81 + 9.65 \times 0.6 = +0.98$

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Pool A: $+14.5 \rightarrow +10.7$, **smaller**. Pool B: $-4.7 \rightarrow -3.7$, also **smaller** (closer to zero). Disagreement shrinks the response in *both* pools. TP2 predicts a **bigger** response in the experienced pool.

TP2: test the size of the response, not the sign of the change

Suggestion. Split releases into low, middle and high *ExpShare*. Within each group, run $R_{k,d} = b \cdot S_{n,d} + d \cdot S_{n,d} \cdot \text{Disp}_{n,d}$ and report d/b : the % change in the response when disagreement rises by 1 SD.

	TP2 predicts	Table 6 implies
Low <i>ExpShare</i> (Pool A, 0.1)	negative, e.g. -25%	-27%
High <i>ExpShare</i> (Pool B, 0.6)	positive , e.g. +20%	-21%

- Measures **size**, so a negative baseline cannot turn a shrink into “amplifies”.
- No straight line forcing the response below zero: check $b > 0$.
- Shows how many releases sit in the high group (90th percentile of *ExpShare*: 0.61).

Tests that would separate the stories

1. Follow the switchers

A mover becomes an “entrant”, yet nothing about them changed. Does accuracy follow the person? When a veteran leaves, does the firm’s forecast drift toward the consensus?

3. Years in the panel vs. attendance

Track people across firms and horse-race the two, in accuracy and in the price regressions.

2. Where does each group’s average sit?

Experienced forecasts should cluster near the release; inexperienced ones near the prior (last consensus or last release).

4. Step 1 without prices

$|A - F|$ on $\text{Disp} \times \text{ExpShare}$ with uncertainty controls. Show what moves dispersion at a fixed composition.

Conclusion

- An important question: **what does disagreement among forecasters tell markets?** Anyone who uses consensus forecasts should care.
- A clear hypothesis: disagreement means different things depending on who forecasts, and it gives testable predictions.

A well-written paper on a question that deserves more attention. I look forward to the next version.

Appendix

Additional comments

A1. Other comments

- **Unit of observation.** The firm, or the economist at the firm? If an economist moves from JPMorgan to Goldman Sachs, are they “inexperienced” in the new role? (In Blue Chip the choice changes 4–5% of labels.)
- **Other readings of the assumption checks.** Regulars may be big banks with dedicated teams (resources, not experience); good forecasters survive (selection); established names herd less (reputation).
- **Define experience up front.** The introduction says the pool is stable (77% still forecast a year later), which immediately raises the question of why 61% are “inexperienced”. Definition is on pg 25.
- **Intraday data.** Daily returns mix several releases on the same day (e.g. GDP and claims on Thursdays). Which one is the market responding to?