Comments: Chauvet & Piger

A Comparison... of Dating Methods

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Very enjoyable paper

• Basic question: Can we do away with the NBER?

• Basic answer: Yes

• Addressed in a direct and clear manner
NBER dates: Why care?

• Don’t if state variables (approx.) linear
  • Can summarize info. with nlin. filter.
  • Not needed for decision rules

• Our DGE models are (approx.) linear.

• What about FRB/US? (Tetlow/Battenberg)

• Another answer: to get rich
Figure 7: 3 Month Value Weighted Excess Returns centered on 9 US Business Cycle Peaks, 1945-2000  (Mean and 1 Standard Deviation band)

Figure 8: Monthly Volatility of the S&P 500 from squared daily returns centered on 8 US Business Cycle Peaks, 1953-2000  (Mean and 1 Standard Deviation band)
What is stock market saying?

- Doyle-Faust, “3 Dummies & the Stock Mkt”

- World may not be linear (also Hamilton-Lin).

- More impt: peaks & troughs not called quickly in real time

- This paper calls peaks & peaks call trough-related returns
Possibilities

• This paper will alter stock mkt. patterns (e.g., Jan. effect)

• Paper is cheating/overfitting.
But this is real time!? 

- Choices of nonlinear spec. not real time.
- This is whole ballgame in nlin modelling.
- Pagan with many co-authors illustrates
Implications for paper

- Discuss this specification issue.
- Paper does not answer “How quickly could we have called. . . ”
- May answer “How quickly can we call in future. . . ”
- Vintage data still crucial for this.
To try: finer timing

• Use first Friday, not end of month
• Use all available data (filter in missing)
• Use financial data
• Pay attention to ripeness (Koenig-Dolmas-Piger)
Good work!