



---

## Predicting Policy with Quantitative Analysis and Sentiment Data / 1.4.17 Research Summary

The ECB's December decision to taper asset purchases surprised most market participants. In fact, nearly 80% of the economists surveyed [by Bloomberg](#)<sup>1</sup> projected that the ECB would not only extend QE at its December meeting but announce fresh stimulus measures. Drobny Global, using Prattle ECB sentiment data, not only made the right call...they made it in September.

Drobny and Prattle made this call—in a [research note](#) published on September 16—using a combination of the two firms' approaches.

[Drobny](#) is a financial research and consulting firm that provides independent global economic research and strategy to its clients. The research note used Drobny's "Conditions" approach to highlight three conditions necessary for a tapering surprise: the existence of crowded long bond positions, a hawkish shift in central bank sentiment, and a rise in inflation pressures along with improved financial and labor market conditions.

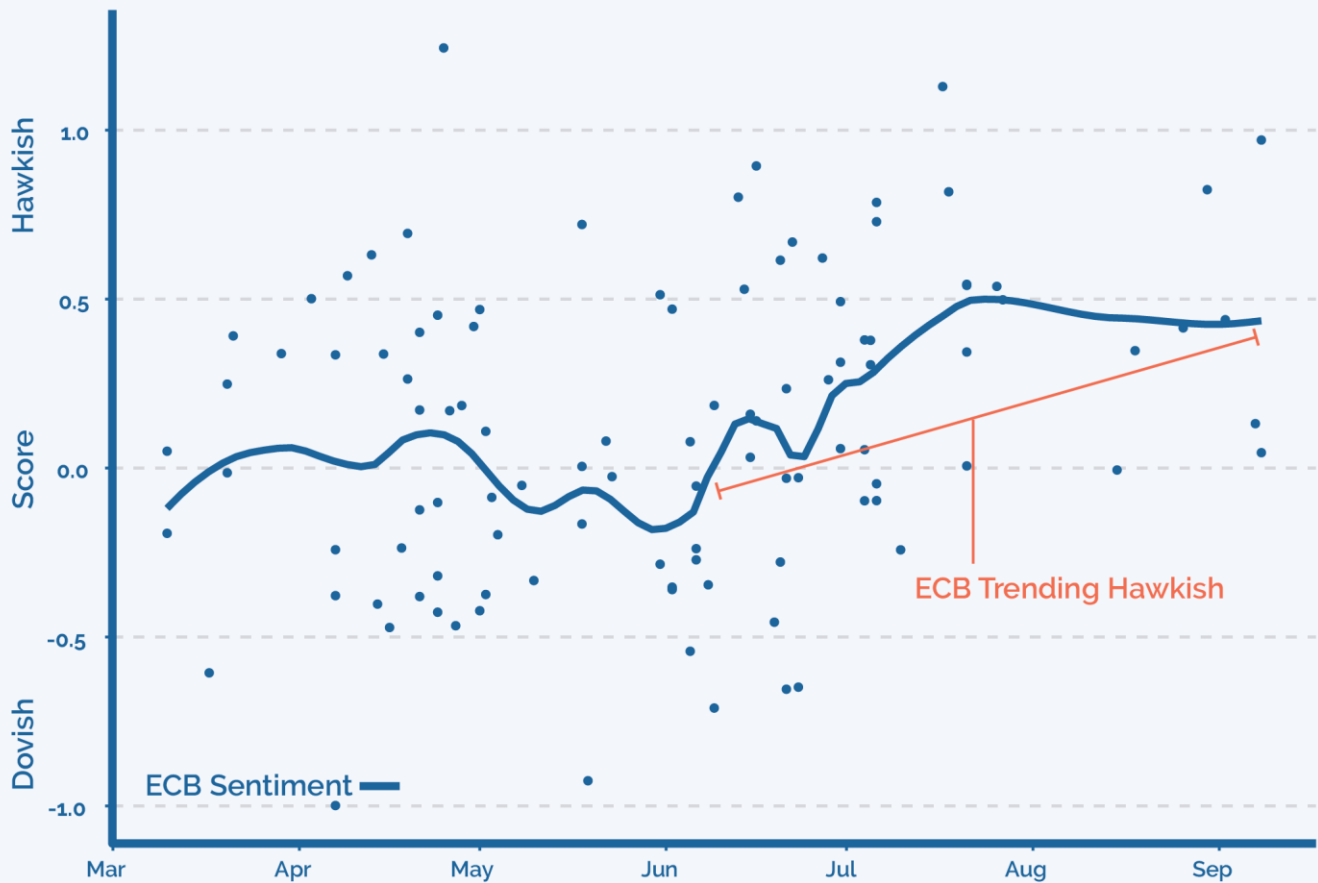
[Prattle](#) is a text analytics company that uses sentiment analysis, machine learning, and natural language processing to produce data that predicts the market impact of central bank communications. The research note used Prattle ECB sentiment data as an indicator of the relative hawkishness of the central bank.

With all the conditions met—including a rise in ECB hawkishness (depicted in figure 1)—the research note concluded that a reduction in ECB asset purchases was much more likely than expected by the consensus of market participants.

---

<sup>1</sup> [Bloomberg survey](#) including 50 economists was conducted Oct 7th to Oct 14th. 78% of respondents expected the ECB to announce fresh stimulus measures and 98% of those expected QE to be extended past March 2017. Only 8% of those surveyed expected the ECB to taper its QE program by Q1 2017.

Figure 1: Prattle ECB Sentiment Trend



The success of this out-of-consensus prediction suggests that combining sophisticated quantitative approaches—Drobny’s central bank “Conditions”—with Prattle’s sentiment data can accurately project even the most unanticipated central bank policy moves.

To learn more about Prattle or Drobny, please contact Evan Schnidman or Dave Berry.

**Evan Schnidman**  
617.304.6807  
evan@prattle.co

prattle.co

**Dave Berry**  
202.210.4456  
dberry@drobny.com

drobny.com

---

Disclaimer: the forecasts provided herein are based upon sources believed by Prattle Analytics, LLC D/B/A Prattle, to be reliable and to be developed from models which are generally accepted as methods for producing economic forecasts.

Prattle cannot guarantee the accuracy or completeness of the information upon which this Report and such forecasts are based. This Report does not purport to disclose any risks or benefits of entering into particular transactions and should not be construed as advice with regard to any specific investment or instance. The opinions and judgments expressed within this Report made as of this date are subject to change without notice.

Copyright © 2016 Prattle Analytics, LLC.