Title: **PRECAUTIONARY SAVINGS IN STOCKS AND BONDS**
Speaker: Carolin Pflueger, University of British Columbia

Importance: Why this matters

Changing conditions in the equity and fixed income markets reveal investors' evolving appetite for risk avoidance, thereby providing cross-effects between stock and bond markets.

These changes have implications for interest rates and monetary policy.

Investigation: "Speaker analyzed XXX data to address the questions yyy, zzz, etc."

Author created a time series measure of stock market cross-sectional volatility, divided into five quintiles. Risk sensitivity is estimated b.By dividing the highest quintile to the lowest quintile of volatility. This ratio is then analyzed against a de-trended historical "real interest rate" series.

Innovation: Are there new techniques of interest in the data or approach to the problem?

The author creates a reliable link between bond returns and the valuation of high and low volatility stocks. A rigorous analysis of potential alternative hypotheses supports the robustness of the conclusion that volatility stands alone as the most important factor.

Insights: 1-2-3, what are the three most important things the speaker offered?

1. When uncertainty or aversion to diversifiable shocks is high, real rates decrease as investors save. Fear causes people to sell volatility and buy safety. She identifies this as "implied precautionary savings."

2. Whatever drives the expected return for holding high volatility stocks also drives precautionary savings and the real rate of interest. cohort is this attributable to? Who are the investors in high volatility stocks?

3. Further work may provide insights into interest rate formation with implications for monetary policy.

Audience rating: