Marcello Miccoli

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Current Position

2011-present — *Economist* - Economic Outlook and Monetary policy Directorate – Bank of Italy, Rome

2015 (Sep. - Dec.) — Monetary Policy Research Division, European Central Bank - Frankfurt, Germany

Sep. 2018-Jun. 2019 — *Visiting Scholar*, Stern School of Business, New York University

Education

2005-2011 — Ph.D Economics, Stanford University
Fields: Macroeconomics, Finance, Political Economy.
Dissertation title: *Essays on Information dynamics in Macroeconomic settings*

2003-2004 — M.Sc., Economics, Universitat Pompeu Fabra, Barcelona, Spain. *Honors*

1998-2003 — B.A., Economics, Università Bocconi, Milan, Italy. *Summa cum laude*

Research

The Collateral Channel of Unconventional Monetary Policy (with G. Ferrero and M. Loberto), Bank of Italy Working Paper, no. 1119, 2017. Submitted

We build a general equilibrium model - along the lines of Williamson (2012) - where financial assets can be used as collateral in secured interbank markets to obtain reserves (central bank money). In this framework frictions in the exchange process give rise to a liquidity premium to assets. An open market operation that provides reserves in exchange for assets decreases the availability of collateral, increasing its liquidity premium (and decreasing its return). The magnitude of the effect depends on assets' pledgeability properties (haircuts). We explore the positive implications of the model in the data. Focusing on the period 2009 - 2014, we analyse the relation between yields of euro area government bonds and the relative amount of bonds and central banks reserves held by the euro area banking sector. We find evidence consistent with our model: yields decrease when reserves increase relative to bonds, the effect being stronger at lower levels of haircut. The results are confirmed after several robustness checks.

Can We Measure Inflation Expectations Using Twitter? (with C. Angelico, J. Marcucci, F. Quarta) – (Draft available soon)

Using data on Twitter and exploiting techniques of text analysis, we build a set of real-time daily indicators of inflation expectations for Italy. To study their information content, we investigate the extent to which they correlate with other measures of inflation expectations. Our Twitter-based indicators of inflation expectations are highly correlated with both monthly survey-based and daily market-based inflation expectations for Italy. Overall, they capture well the dynamics of individuals' inflation expectations and convey some additional information content beyond the existing measures. The analysis points to Twitter representing a new source of consumers' beliefs that can be both timely and accurate.

Optimal Dynamic Public Communication, Bank of Italy Working Paper, no. 856, 2012

This paper builds a dynamic model of the information flow between partially informed financial institutions and a public agency. The financial institutions decide how to allocate their portfolio between a riskless technology with known payoff and a risky technology whose payoff is unknown. The public agency learns about the value of the unknown payoff by observing with measurement error the actions of the agents and decides when to communicate the information at the agency's disposal. The paper characterizes the optimal public communication plan and shows that full transparency (meant as revelation of information every period it is collected) is not always optimal. Instead, optimal strategies involve delayed communication, the amount of delay depending in non trivial manners on the precision of private information and the size of the agency's measurement error. The reason for the result lies in the collection process of public information: while releasing information improves the welfare of the agents, it also decreases the informational content of their actions, hampering learning of the agency and reducing the benefits of future public communication.

Informational Effects of Monetary Policy (with G. Ferrero and S. Santoro), Bank of Italy Working paper, no. 982, 2015.

We analyze a simplifed New-Keynesian model with an unobserved aggregate cost-push shock where firms and the Central Bank have different information about the shock. We consider a linear policy rule where a pure inflation targeting Central Bank decides how much to react to the shock given its information. In this framework we show that monetary policy serves both an *allocational* and an *informational* role, the latter coming from firms extracting information on the aggregate shock from the monetary policy tool. When the informational role is present, optimal monetary policy is more cautious, that is, it responds less to the shock than the perfect information benchmark. This is so since a more cautious reaction to the shock implies firms using more effectively their private information and the endogenous information coming from the aggregate price in order to estimate the shock.

Policy Research

Inflation Surprises and Inflation Expectations in the Euro Area (with. S. Neri), Applied Economics, Vol. 51(6), 2019.

In the second half of 2012, euro area inflation started declining and reached historical lows at the end of 2014. Market-based measures of inflation expectations also declined to unprecedented levels. During this disinflationary period, inflation releases have often surprised analysts on the downside. We provide evidence that inflation 'surprises' have significant effects on inflation expectations. The sensitivity of inflation expectations to the surprises, which has varied over time, disappeared after the introduction of the Asset Purchase Programme by the European Central Bank.

Inflation Risk Premia and Risk-Adjusted Expectations of Inflation (with. M. Casiraghi), Economics Letters, Vol. 175, February 2019.

The rate of swap contracts linked to inflation can be a poor measure of inflation expectations, as it incorporates time-varying risk premia. By following an established approach, we estimate inflation risk premia and construct risk-adjusted measures of inflation expectations for the US and the euro area. Our results show that premia are negatively related to the business cycle and the volatility of the stock market, increase with the maturity of the contract and are on average lower in the US than in the euro area.

A Composite Index of Inflation Tendencies in the Euro Area (with M. Riggi, L. Rodano, L. Sigalotti), Bank of Italy Occasional Paper, no. 395, 2017.

Assessing underlying inflation developments is crucial for a correct calibration of the monetary policy stance. To monitor the adjustment in the path of euro area inflation towards the ECB's definition of price stability, we select a number of indicators of price dynamics in the area. We then construct a composite index summarizing the information contained in those indicators by estimating several univariate probability models. The index, which provides a synthetic measure of inflationary pressures net of the most volatile components, can be interpreted as gauging the probability of inflation returning to 1.9 per cent or over within a given time horizon. Our findings, which are based on the information available in July 2017, signal that, despite the improvement in price dynamics since the beginning of the year, the adjustment of inflation rates towards levels below, but close to, 2 per cent over the medium term is still limited and far from being sustained.

Past research

Unjamming the Public Signal: Optimal Communication Time in Learning Environments

Heterogeneity in Ambiguity Averse Preferences and General Equilibrium Models (joint with A. Bodoh-Creed)

Genetics, Culture, and Income differences across Countries

Presentations

Stanford Macro Bag Lunch: May 2008, January 2009, May 2009, September 2009. Bank of Italy: January 2010, July 2012, March 2017. Bocconi Macro Reading Group, April 2011. Università Cattolica, Milan, October 2011. Università di Cagliari, February 2012. Workshop '*Economics of Coordination and Communication*' Ravello (SA), June 2012. Cornell University, September 2012. 11th Macro Dynamics Workshop, Rome, December 2012.

Einaudi Institute for Economics and Finance Lunch Seminar, March 2013. Workshop on "*Monetary policy in the presence of micro-founded market and information frictions*", Bank of Italy, June 2013. Macro Banking and Finance Workshop, Milan, September 2013. European Central Bank Lunch Seminar, December 2015. Computational and Financial Econometrics Conference, Seville, December 2016. Workshop *Polimi Fintech Journey,* Milan, May 2017. European Economic Association, Lisbon, August 2017. First annual Workshop "ESCB Research Cluster on Monetary Economics", Madrid, October 2017. Harnessing Big data & Machine Learning Technology for Central Banks, Bank of Italy, Rome, March 2018.

Refereeing activity

Economics&Politcs, Economic Inquiry, International Economic Review, International Journal of Central Banking, Temi di discussione Banca d'Italia