Report onMaster Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University

Student:	**Adam Poloček**
Advisor:	**PhDr. Jaromír Baxa, Ph.D.**
Title of the thesis:	**Spillovers of uncertainty shocks: Evidendce from GVAR model**

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Short summary

The topic of this master´s thesis is very interesting and relevant not just for the current economic situation in the post-covid period and the ongoing war in Ukraine. Both of these unprecedented events were, or are, a source of enormous uncertainty and partial risks that have unexpectedly entered into the actions of all economic agents. A deeper understanding of spillovers of uncertainty shocks is indeed a very topical issue not only from the perspective of the central banks, which are "by their very nature" responsible for maintaining price and financial stability. I also believe that the findings of this thesis may be of interest to my colleagues in monetary and financial stability department of the CNB.

The thesis is divided into five parts. After a very well-written introduction, the author summarizes in great detail the relevant studies analysing uncertainty from many perspectives, including policy implications. This section nicely summarizes the relevant literature on the topic of the master's thesis. The third chapter introduces the analytical tool used in the master thesis, which is GVAR, and then discusses the data sources used. Again, this section is excellently done, which is more in line with the level of a Ph.D. thesis. The fourth chapter presents the interesting results of the empirical part, which makes extensive use of and discusses in detail the impulse response functions. Last chapter correctly formulates and summarizes the conclusions from the obtained results.

Contribution

The author presents interesting ideas on the topic, demonstrating critical thinking and the ability to draw conclusions based on the knowledge of relevant literature and empirics. There is a visible value added in the thesis, with following main contributions, i.e. he: (i) applies another panel data methodology to mutli-country setting to analyse uncertainty spillovers and (ii) extracts the most possible value out of the EPU by using GDP interpolation achieving more precise and significant results. I also very much appreciate that the master's thesis also includes the economic motivation behind the analysis of uncertainty and risk.

Methods

The opponent has no criticism of the author in terms of the chosen methods. The thesis applies well-chosen and advanced empirical techniques. The referee appreciates the applied view through IRFs on the analysed macroeconomic variables, which are very useful for the topic under study.

Literature

The literature review is above a standard level, i.e. includes both original sources of literature and current applied studies oriented on analysed countries. The author quotes relevant literature in a proper way.

Manuscript form

The manuscript is again above a standard level, i.e. overall very well formatted, logically structured, easy to navigate and properly referenced. Only the Czech abstract could have been worded better.

To illustrate the practical dimension of the problem (“risk versus uncertainty”), the opponent wishes to make the following remark. The distinction between "risk" and "uncertainty" is often not understood consistently across sources. At the CNB, we try to refer to risk as that which has a clear direction (inflationary, anti-inflationary) and which can usually be at least roughly quantified. We understand

Report onMaster Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University

Student:	**Adam Poloček**
Advisor:	**PhDr. Jaromír Baxa, Ph.D.**
Title of the thesis:	**Spillovers of uncertainty shocks: Evidendce from GVAR model**

uncertainty as more general, i.e. without a clear direction of action, in our case mostly from an inflationary or anti-inflationary perspective.

Overall evaluation and suggested questions for the discussion during the defense

Overall, this master thesis is well balanced; it consists very interesting empirical parts with interesting results, rich literature survey and appropriate techniques for empirical analysis. Questions and comments, which may be answered during the defence:

1. *How is the existence of unconventional monetary policy pursued by central banks reflected in the interest rate response? Has the author tried to work with the concept of "shadow rates" (briefly describe its main idea)?*
2. *Was the Economic Policy Uncertainty Index used by the author (and taken from other sources) or compiled by him (or with the help of a supervisor)?*

In my view, the thesis fulfils the requirements for a master thesis at IES, Faculty of Social Sciences, Charles University, **I recommend it for defence and suggest a grade A**. I would like also to consider nominating this master's thesis for B.A. with distinction from the Dean of the Faculty of Social Sciences for an extraordinarily good diploma thesis.

The results of the Turnitin analysis do not indicate significant text similarity with other available sources.

SUMMARY OF POINTS AWARDED *(for details, see below):*

CATEGORY		**POINTS**
Contribution	*(max. 30 points)*	30
Methods	*(max. 30 points)*	30
Literature	*(max. 20 points)*	20
Manuscript Form	*(max. 20 points)*	20
TOTAL POINTS	*(max. 100 points)*	**100**
GRADE	**(A – B – C – D – E – F)**	**A**

NAME OF THE REFEREE: Prof. Luboš Komárek

DATE OF EVALUATION: 9.9.2023

Digitálně podepsáno (9. 9. 2023)
Luboš Komárek

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Overall grading:

TOTAL	**GRADE**
91 – 100	**A**
81 - 90	**B**
71 - 80	**C**
61 – 70	**D**
51 – 60	**E**
0 – 50	**F**