This dissertation consists of three empirical papers on the issues of monetary policy as well as finance in the group of four Visegrad countries, namely the Czech Republic, Hungary, Poland, and Slovakia. The first paper, entitled "Testing Multi-Factor Asset Pricing Models in the Visegrad Countries", attempts to point to a suitable asset-pricing model that could be used to estimate the cost of equity capital in the Visegrad countries. The Capital Asset Pricing Model (CAPM) that is most often used for this purpose in developed markets has a poor empirical record and is likely not to hold in less developed and less liquid emerging markets. Various factor models have been proposed to overcome the shortcomings of the CAPM. This paper examines both the CAPM and the macroeconomic factor models in terms of their ability to explain the average stock returns using the data from the Visegrad countries. We find, as expected, that the CAPM is not able to do this task. However, factor models, including factors such as: excess market return, industrial production, inflation, money, exchange rate, exports, commodity index, and term structure, can in fact explain part of the variance in the Visegrad countries' stock returns.
A second paper, "Size and Value Effects in Visegrad Countries", is an extension of the previous paper. This paper has two main objectives. The first is to test for the presence of the size and book-to-market value effects in Visegrad countries, while the second is to propose a plausible model for the cost of capital estimation in the Visegrad region. Size and book-to-market effects have been found in the United States and many other developed stock markets. We demonstrate that these effects do in fact explain the expected return/cost of capital in Eastern Europe. Based on this result, we proceed by constructing regional size and book-to-market portfolios for a combined Visegrad market.