

# Report on Bachelor / Master Thesis

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

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| Student:             | Bc. Ecaterina Locoman   |
| Advisor:             | Doc. Mgr. Tomáš Holub, PhD.   |
| Title of the thesis: | Central Bank Communication: Comparison between the Czech National Bank and the National Bank of Moldova |

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

This thesis deals with central bank communication in the Czech Republic and Moldova. Its main ambition is to give policy recommendations to the National bank of Moldova how to further improve its monetary policy transparency, using the Czech National Bank as a benchmark. I consider it a good idea to use the Dincer-Eichengreen transparency index to put a clear structure on this benchmarking exercise.

The thesis starts with a literature review on the topic of central bank transparency, which is quite well done and deserves appreciation.

The core of the thesis is then chapter 6, which calculates the Dincer-Eichengreen transparency index for both central banks. In some parts of the text, the chapter may be a little bit too descriptive, but overall it is accurate and shows that the author went through a large volume of information published by the two central banks. I provided many comments to the author on this chapter during the drafting process, which were incorporate into the final version, and thus have no additional comments now.

In chapter 7, the author analyses empirically how surprising are the decisions of the two central banks, based on how money market rates respond to the announced policy decisions. This method is based on an implicit assumption that the money market functions efficiently, is sufficiently liquid and incorporates all the available information. This may not be true in Moldova, at least for the earlier years. It is thus not clear if the weak response of the money market rates to the NBM's policy rate announcements is due to the fact that these policy announcements had been fully anticipated (in which case my conclusions about the NBM's transparency would be more positive than those presented by the author), or if it is a sign of non-functioning money market. The author on page 77 suggests the latter, referring to the existence of a large spread between the money market rates and policy rates in Moldova. However, I think this issue should be addressed more systematically at the very beginning of sub-section 7.1.

Another minor comment relates also to page 77, in particular the discussion of the policy decision taken in September 2007. The author states that the change in the money market rates was only 12 b.p. and 19 b.p. after this decision. However, one can clearly see in the Figure on page 79 as well as in the Table on page 100 that the money market reaction was much more pronounced. It thus seems that September 2007 was another NBM's decision which was not fully anticipated by the market.

Overall, the analysis presented in the thesis is not a "rocket science" and it is not too inventive in its methodology, but it is a useful applied piece of work which leads to clear policy recommendations for the author's country. **I thus recommend the thesis to be accepted and to give it the grade 2 (B).**

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

| <b>CATEGORY</b>                         | <b>POINTS</b> |
|---|---------------|
| <i>Literature</i> (max. 20 points)      | 17            |
| <i>Methods</i> (max. 30 points)         | 20            |
| <i>Contribution</i> (max. 30 points)    | 20            |
| <i>Manuscript Form</i> (max. 20 points) | 15            |
| <b>TOTAL POINTS</b> (max. 100 points)   | <b>72</b>     |
| <b>GRADE</b> (1 – 2 – 3 – 4)            | <b>2</b>      |

**NAME OF THE REFEREE:** *Tomáš Holub*

**DATE OF EVALUATION:** *13 June 2011*

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*Referee Signature*

