

## Abstract

This work is concerned with interrelations between monetary policy instrument – policy rate, key macroeconomic control variables – GDP, inflation, and financial stress. As a proxy for financial stress we consider composed financial stress index for the Czech Republic. We estimate the SVAR model, which allows for more than one variable to be endogenous and also for contemporaneous relations. Resulting from the SVAR analysis we conclude that financial stress is definitely a relevant factor for policy-making decisions. In the long term, rising levels of financial stress is decreasing the policy rate, on the other hand increase in policy rate is significantly stressful event for financial markets. Financial stress is significantly a negative factor in terms of real output.