

# Report on Rigorous Thesis

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

<b>Student:</b>	<b>Mgr. Pavel Karas</b>
<b>Advisor:</b>	<b>Doc. Roman Horváth, Ph.D.</b>
<b>Title of the thesis:</b>	<b>The Czech National Bank Communication: GARCH analysis of 3M PRIBOR rate and Czech 10Y government bonds</b>

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

This thesis focuses on the effects of central bank communication. Well-designed communication strategy is likely to contribute to the goals of central banks such as price stability or financial stability. To differentiate from previous literature, Pavel focuses on the effects of Czech National Bank communication on yield curve.

How is communication measured? There are several ways how central bank spread information to the public and Pavel makes use of them. More specifically, he assesses how the publication of inflation report, the publication of monetary policy minutes, interviews in media (as well as their assessment whether they were likely suggesting the possibility of interest rate hikes or not). In addition, the effect of timing of central bank communication is examined. This is important but many previous studies neglect this issue. Clearly, the communication, which is just a several days before the monetary policy meeting at which policy interest rate may be changed may have a stronger effect on financial markets than communication than otherwise.

The univariate GARCH models are suitable for this kind of exercise and Pavel makes uses of several GARCH-type models. He investigates the effect of central bank communication on two interest rates, for which liquid market exists. The results show that central bank communication matters.

The thesis is well-written and Pavel shows a great knowledge about the subject matter. The econometrics is well executed.

As compared to the Master thesis version, this thesis is extensively rewritten and literature review is extended. Although the Master thesis did not obtain the Dean award, its high quality is reflected by the fact that the a joint article with the supervisor (based on the thesis) was published in the Czech Journal of Economics and Finance.

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Literature</i> (max. 20 points)	18
<i>Methods</i> (max. 30 points)	28
<i>Contribution</i> (max. 30 points)	29
<i>Manuscript Form</i> (max. 20 points)	18
<b>TOTAL POINTS</b> (max. 100 points)	<b>93</b>
<b>(doporučuji, nedoporučuji )</b>	<b>Doporučuji</b>

**NAME OF THE REFEREE:** *Doc. Roman Horváth, Ph.D.*

**DATE OF EVALUATION:** *February 23, 2014*

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**Referee Signature**

**EXPLANATION OF CATEGORIES AND SCALE:**

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

Strong                  Average                  Weak  
20                          10                          0

**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.*

Strong                  Average                  Weak  
30                          15                          0

**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.*

Strong                  Average                  Weak  
30                          15                          0

**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.*

Strong                  Average                  Weak  
20                          10                          0

**Overall grading:**

TOTAL POINTS			
81 – 100		= excellent	
61 – 80		= good	
41 – 60		= satisfactory	
0 – 40		= fail	= nedoporučuji k obhajobě