

Abstract

This thesis analyzes the effect of the Czech National Bank's (CNB) communication on the interest rate volatility (PRIBOR reference rate). Starting with the literature survey about the central bank communication in the world, I focus on the literature that concerns the CNB. To model the CNB's communication, I use the GARCH(1,1), EGARCH(1,1) and TARCH(1,1) models. I have created a unique data set containing the dummy variables for the CNB communication. The results are as follows: (a) the CNB's communication tends to decrease the volatility, (b) timing of the communication has a key role as the comments closer to the meeting have bigger calming effect, and that (c) there is no clear effect concerning the comments of the Bank Board members in the media.

JEL Classification E43, E44, E52, E58

Keywords Czech National Bank, monetary policy signaling, central bank communication, the term structure of interest rates, GARCH analysis

Author's email karasp@email.cz

Supervisors's email roman.horvath@gmail.com