

## Abstract

This thesis provides evidence of how macroeconomic *surprises*, constructed as deviations from market expectations, impact daily spread changes of Czech, Polish and Hungarian (CEEC-3) government bonds and sovereign credit default swaps. Firstly, we carried out series of event studies that inspect the spreads' reactions to the announcements. Subsequently, we employed the general-to-specific modeling approach and arrived at thirty GARCH-type models that consider *surprises*' impact on both conditional mean and variance. We have found significant impacts on the mean, yet in terms of magnitude, the impact of macroeconomic *surprises* has not been superior to that of broad financial factors. The impact on spreads' volatility appears more consequential though it lacks a clear pattern: Both good and bad news have been found to affect the volatility in either direction. Our findings suggest that with respect to macroeconomic news, daily changes of the bond spreads are driven rather by inflation expectations than by credit risk considerations. Foreign news proxied by the German *surprises* seems to affect the CEEC-3 bond spreads mainly through the risk-free proxy – the German Bund yield. Contrary to studies using low-frequency macroeconomic data, we have found no evidence for the “wake-up call” hypothesis.