

Report on Bachelor / Master Thesis

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

Student:	Libor Ulrich
Advisor:	doc. Roman Horvath, Ph.D.
Title of the thesis:	US and Euro Area Monetary Policies – What Are the Interrelationships

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

The Bachelor Thesis of Libor Ulrich examines the interrelationship between the monetary policy of the United States and the euro area. To this end, Libor uses a vector autoregressive (VAR) framework on monthly data series 1999-2016. The analysis first focuses on standard rates (effective federal funds data and EONIA for the US and EA respectively) to discuss the role of conventional monetary policy. In the second part, the author incorporates Wu-Xia shadow rates to account also for unconventional monetary policy shocks. The main findings of the paper can be summarized as follows: contractionary monetary policy has negative effect on the GDP and price level both at home and in the US/EA counterpart; responses to Fed changes appear to be more persistent than those of the ECB. The findings remain generally consistent when accounting for unconventional monetary policy measures (captured by Wu-Xia shadow rates).

Contribution In the introduction the author clearly states the contribution of his work by building up on and extending the evidence from the existing literature in the field. First, Libor aims to analyze both directions of the US-EA spillovers for which the literature is still relatively scarce. Second, he also aims to shed more light on the transmission and spillovers of unconventional monetary policy. Both first and in particular second aim are highly relevant and currently at the frontier of economic research.

Methods To the best of my understanding, Libor builds his identification strategy on an analysis of appropriate number of lags and then uses an unrestricted VAR. In the beginning of the thesis, he provides some motivating arguments for the identification strategy (i.e. why restrictions might be inefficient, p.17). In the final concluding remarks, Libor discusses SVAR as a possible extension in order to „fix some coefficients ex-ante based on economic theory or allow for contemporaneous terms“ (p.42).

For the defense, I would encourage Libor to discuss his choice of identification strategy as opposed to other methods in a greater detail. Some possible alternatives might include sign restrictions, Cholesky decomposition, finding impulse-responses for closed economy set-up and/or similar. To what extent can we be confident that an unrestricted VAR captures the unexpected monetary policy shock one wishes to isolate and draw the causal relationship for GDP and inflation?

Literature The relation to the existing literature is clear and well documented.

Manuscript form Overall the thesis is well written and nicely structured. It fully meets the standards of a high-quality final thesis for an undergraduate student.

To summarize, I recommend the thesis of Libor Ulrich to the defense at IES FSV UK and upon a successful defense, I would propose a grade A „excellent“ to be awarded to the student.

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

CATEGORY	POINTS
Contribution (max. 30 points)	25
Methods (max. 30 points)	18
Literature (max. 20 points)	20
Manuscript Form (max. 20 points)	20
TOTAL POINTS (max. 100 points)	83
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Martina Jasova

DATE OF EVALUATION: June 5, 2017



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	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě