Institut ekonomických studií

Fakulta sociálních věd, Karlova universita Praha
Referee report on the Master Thesis

Student Name:	**Nicolas Fanta**
Thesis Supervisor Name:	**Roman Horvath**
Thesis Title:	**ECB's Oral Communication and Future Monetary Policy**

Overall Evaluation:

The master thesis submitted by *Nicolas Fanta* represents a comprehensive and sophisticated analysis of one aspect of modern monetary policy that receives a lot of research attention: central bank communication with the market. Nicolas approaches his topic very methodically and he provides detailed analysis of every imaginable aspect of the communication – structured by time, position at the board and even geographical differences. He benefitted from his supervisor being one of the leading experts in the field, so Nicolas uses the most recent and relevant literature. I therefore recommend the thesis for the defense and I suggest the grade A (výborně)**.**

After a brief introduction and a sparse but sufficient discussion of monetary policy communication theory, chapter 3 discusses recent (2015, 2016) literature. The fourth chapter discusses data and construction of the key variable (skew). It is well written and suggests a good grasp of the theory by Nicolas.

The thesis core is in chapter five that discusses empirical results. Several models are introduced and clearly described. Nicolas demonstrates not only his grasp of the empirical methods but he also discusses economic underpinnings and consequences of different models. For example, I find his discussion of a (counterintuitive) negative sign for the term structure variable on pages 32 and 34 quite interesting. The same for differences between Trichet and Draghi (page 47). I am not sure, on the other hand, about Nicolas interpretation of Figure 5.5 where Austria and Germany seem to be most at odds with the ECB decision making. Nicolas seems to suggest that Germany, being the largest economy in the Eurozone, its dissent seems to provide least insight into future changes in monetary policy. (Correct?) If so, I would appreciate some more intuition for this phenomenon.

Suggested questions for defense:

Charts 5.1. and 5.2. – explain the wide fluctuation in market expectations of future monetary policy decision in and around August 2011 – how much it determines term structure model results (table 5.5)?

Chart 5.5 – what exactly the chart measures? Why the largest economy (Germany) seems to dissent most from the ECB decisions?

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SUMMARY OF POINTS AWARDED:

CATEGORY	POINTS
Literature (0-20)	20
Methods (0-30)	30
Contribution (0-30)	25
Manuscript Form (0-20)	20
TOTAL POINTS (0-100)	**95**
GRADE	**1**

(Signature)

Ondřej Schneider

Evaluated on:　　　　**5 June 2017**