

Report on Bachelor / Master Thesis

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

Student:	Bc. Nicolas Fanta
Advisor:	Doc. Roman Horváth, Ph.D.
Title of the thesis:	ECB's Oral Communication and Future Monetary Policy

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

The M.A. thesis of Nicolas Fanta focuses on empirical examination of whether verbal central bank communication increases monetary policy predictability.

Contribution

The thesis uses the original dataset of intermeeting (verbal) communication of the Governing Council members of the European Central Bank developed by Gertler and Horvath (2017). It uses this central bank communication data and calculates the measure of whether the communication is leaning in the direction of monetary tightening or loosening. This measure is typically labeled as skew in this body of literature. Previous literature examining other central banks – typically those targeting inflation such as Bank of England or Czech National Bank – used voting record from monetary policy meetings to generate the skew measure. Given that voting records are not available for the European Central Bank, the alternative way to calculate skew is proposed in this thesis. The thesis shows that skew contains valuable information about future monetary policy even once the regression model controls for past setting of monetary policy and financial market expectations.

Methods

Following previous literature, Nicolas employs ordered probit model to account for discrete and censored nature of monetary policy rates. As noted above, when examining the relevance of skew for future monetary policy, one has to control for financial market expectations and past monetary policy. Nicolas conducts a number of robustness checks, i.e. whether the different way of measuring skew has an effect on the results. More specifically, Nicolas accounts for various effects such as whether it is the President of the European Central Bank, who communicates. Or whether the communication is about conventional vs. Unconventional monetary policy. The importance of timing of central bank communication is assessed in this framework, too.

Literature

The literature is covered very well and all important references are cited and properly discussed.

Manuscript form

The manuscript form as well as organization of the thesis is standard. The thesis is written well and in general, easy to follow for the reader. However, some more care in making the arguments more clear would be vital. Sometimes the reader may have feeling that the text requires one round of additional editing.

Overall, I find this thesis as a solid piece of applied econometric work oriented on highly relevant policy topic and therefore, recommend the grade „výborně“ (A).

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	28
<i>Methods</i> (max. 30 points)	28
<i>Literature</i> (max. 20 points)	18
<i>Manuscript Form</i> (max. 20 points)	16
TOTAL POINTS (max. 100 points)	90
GRADE (1 – 2 – 3 – 4)	1

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

DATE OF EVALUATION: May 25, 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