

# Report on Master Thesis

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

<b>Student:</b>	<b>Emiljano Hysa</b>
<b>Advisor:</b>	<b>Jaromír Baxa</b>
<b>Title of the thesis:</b>	Monetary Policy and Stock Market Returns: Does the ZLB make a difference?

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

*Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.*

### **Contribution**

In his thesis, Emiljano discuss the impact of monetary policy on stock market returns. More specifically, he focuses on investigation of changes in this relationship after the recent recession when the monetary policy was characterized by quantitative easing in the main economies. Unlike most studies, Emiljano does not focus only on the U.S., but on the EU and the U.K. as well. Regarding the impact of the zero-lower bound on interest rate setting, Emiljano follows the convention to replace the nominal interest rate by the shadow interest rate, both the Wu-Xia one and the Krippner's one. His result confirm the ability of monetary policy to affect the asset prices, however it seems the impact was somewhat declining over time.

In comparison to the existing literature, i.e. Galí and Gambetti (2015), his thesis is the first piece that investigates changes in the link between monetary policy and asset prices on the recent data, and which would utilize the shadow interest rate to tackle the zero-lower bound of the short-term interest rates.

### **Methods**

The thesis relies on time-varying parameter VAR model, estimated using Bayesian methods and the state-of-art algorithms. This methodology isn't covered during the course of the MA study at the IES, still, the method is well-executed, without substantial flaws. I'd personally would have opted for somewhat longer sample, and perhaps more variables within VAR, but to some extent, this is a matter of taste.

The data are carefully described and relevant stationary tests are provided for all variables of interest. I also appreciate that the analysis was conducted with both alternative measures of the shadow interest rate as both suggest somewhat different timing of the beginning of the monetary policy tightening especially in the United States.

Unfortunately, the results that are obtained are not that persuasive as I would have wanted, and since the time wasn't unlimited, we couldn't devote more time to additional calculations.

### **Literature**

The main literature is covered and reviewed sufficiently.

### **Manuscript form**

The structure of the diploma thesis is OK, however sometimes the text is somewhat hard to read. The overall presentation of the result is somewhat weaker part of the thesis.

### **Summary and suggested questions for the discussion during the defense**

Overall, the thesis is focused on an interesting topic and lively discussion to what extent the monetary policy can influence the stock markets, and whether there were some changes in the recent years. The thesis utilizes advanced techniques that are executed quite well, although the final results are not that convincing as I would have wanted. The thesis isn't without flaws, in particular the language could

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have been somewhat better, and also the whole text would benefit from careful clean-up. Finally, I decided to propose grade C.

Suggested questions:

Is there any support for the idea that the impact of monetary policy on stock market returns has changed over time?

What kind of identification scheme has been utilized and why?

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

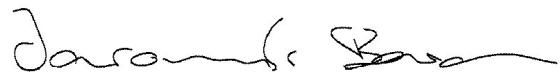
<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution</i> (max. 30 points)	22
<i>Methods</i> (max. 30 points)	22
<i>Literature</i> (max. 20 points)	18
<i>Manuscript Form</i> (max. 20 points)	15
<b>TOTAL POINTS</b> (max. 100 points)	<b>77</b>
<b>GRADE</b> (A – B – C – D – E – F)	<b>B</b>

**NAME OF THE REFEREE:**

**Jaromír Baxa**

**DATE OF EVALUATION:**

**June 13, 2018**



**Referee Signature**

**EXPLANATION OF CATEGORIES AND SCALE:**

**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

**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

**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

**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	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F