

# Abstract

This dissertation thesis consists of three essays on new EU foreign exchange markets (FX), i.e. the Czech koruna, Polish zloty and Hungarian forint. In the first two essays, the impact of foreign macroeconomic news announcements and central banks' monetary policy settings on the value and volatility of examined exchange rates is analyzed. In the third chapter, the conditional comovements and volatility spillovers on new EU FX markets is examined. The aim of this thesis is to contribute to the existing empirical literature by providing new evidence of the examined currencies during periods, which have not been examined yet (after the Global financial crisis (GFC), during the EU debt crisis and during currency interventions in the Czech Republic).

The first essay (Chapter 2) examines the impact of Eurozone/Germany and US macroeconomic news announcements and monetary policy settings of the ECB and the Fed on the value of new EU member states' currencies. It is a complex analysis of 1-minute intraday dataset performed by event study methodology (ESM). We observe different reactions of exchange rates in pair with the US dollar on the US macroeconomic announcements and Euro-expressed FX rates on Germany macro news during the EU debt crisis and after it. We also provide evidence of leaking news, showing that FX markets react even before the news is announced.

The second essay (Chapter 3) analyses the impact of German macroeconomic news announcements and ECB meeting days on the conditional volatility of the Czech, Polish, and Hungarian foreign exchange markets over six years (2010–2015) by employing EGARCH model. The analysis shows that new EU FX rates react differently to news coming from US and Germany/Eurozone.

The third essay (Chapter 4) analyzes time-varying exchange rate comovements, hedging ratios and volatility spillovers on the new EU forex markets during 1999M1-2018M5. We find significant differences in the extent of currency comovements during various periods of market distress that are related to real economic and financial events. This implies favorable diversification benefits; the hedge-ratio calculations show all three currencies bring hedging benefits during crisis periods, but at higher costs. During calm periods, most of the volatilities are explained by own-currency volatility. During the distress periods, volatility spillovers among currencies increase substantially and the Hungarian currency takes a leading role in transmission mechanism.