Report on Bachelor / Master Thesis

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

Student:	**Zhanara Zeinesheva**
Advisor:	**Doc. PhDr. Adam Geršl, Ph.D.**
Title of the thesis:	**The Impact of Macroprudential Policy Announcements on Financial Markets**

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

Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.

Short summary

The main objective of the thesis is to estimate the impact of macroprudential policy announcements on financial markets from 2001 to 2023. The focus is on bond yields, stock prices, and market volatility. The dates on announcements are manually scraped from Factiva database, classified as tightenigs, easings, and neutral. The effect of announcements of interest is estimated using regressions with dummy variables at the dates of these announcements. It is found that the short-term impact appears in bond yields, but not in stock prices or market volatility.

Contribution

There is surely a lot of work behind this work, particularly in the construction of such a unique dataset. Therefore, the thesis has the potential to make a solid contribution to the literature, as no equivalent study has not been conducted. However, there are several drawbacks in the regression methodology that drag the contribution of the thesis down. I will address them below.

Methods

In essence, the thesis has two parts. In the first part, the announcements are collected and classified, and I do not have any concern here, but praising the work being done. In the second part, the announcements are fed through a regression where the financial variables are regressed on announcement dummies and a set of additional explanatory variables. However, apparently only dates with announcements are considered in the regression – the number of observations is very low given the daily frequency of the data, falling below the (n-k) > 30 threshold quite often within the country-specific regressions. Usually, the neutral announcements are coded as zero along with the dates with no announcements so that the days with announcements are compared to days without announcements of a policy change. These days serve as the “control group” for the group of “treatment days” effectively (see Švéda, Baxa, Geršl, 2024, which served as an inspiration for the thesis, Büchel (2013, Do words matter?..., Eur. J. Political Econ., and others). Therefore, I do not believe that the regression part is executed correctly and that the implications derived from these regressions are valid.

Literature

This thesis is based on relatively few resources. Perhaps more motivation on the link between macroprudential announcements and financial variables could have been provided. Let me, nevertheless, mention that the methodology of the thesis does not correspond to the event study methodology in the spirit of, for example, MacKinlay (1997, Event Studies in Economics and Finance, J.Econ.Lit.) which compares the returns after the announcement with returns predicted by some benchmark pricing model, and the difference between those *normal* and *abnormal* returns is then used as an indicator of an effect of the event of interest. This study achieves the calculation of an effect using dummy variables, which is fine but a different approach. Büchel (2013, Do words matter?..., Eur. J. Political Econ.) also states that this approach is not the same as the event study methodology.

Manuscript form

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The thesis is reasonably written, although not as the polished as best theses. Table 1 which summarizes the keywords used for data scraping lists logical operator “and“ berween country identifiers – I’m persuaded that “or“ is more adequate, otherwise only the announcements affecting all countries will be scraped. Nevertheless, I presume that scraping was done on country-by-country samples separately, so this is just a formal remark.

Overall evaluation and suggested questions for the discussion during the defense

I am convinced that there is a lot of work behind the thesis and that even the dataset created for the purpose of this thesis is a contribution of its own. However, the problems with the methodology lead to lower grade. Improved work with the literature could help overcome some of the confusion in terms of methodology as well. However, I appreciate the transparent presentation of the methods and the results, so that it is possible to evaluate the validity of the results.

Overall, I suggest grade D, depending on the thesis defense.

During the defense, let me propose to discuss the issues in the methodology.

Last but not least, the results of the Turnitin analysis do not indicate significant text similarity with other available sources, and thus, there is no issue with plagiarism.

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

CATEGORY		**POINTS**
Contribution	*(max. 30 points)*	20
Methods	*(max. 30 points)*	15
Literature	*(max. 20 points)*	15
Manuscript Form	*(max. 20 points)*	18
TOTAL POINTS	*(max. 100 points)*	**68**
GRADE	**(A – B – C – D – E – F)**	**D**

NAME OF THE REFEREE: ***Jaromír Baxa***

DATE OF EVALUATION: ***June 10, 2024***

Jaromír Baxa

Digitálně podepsal
Jaromír Baxa
Datum: 2024.06.10
15:08:31 +02'00'

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.*

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.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

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.*

Overall grading:

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