Report on Bachelor / Master Thesis

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

Student:	**Bc. Liusha Li**
Advisor:	**prof. Ing. Evžen Kočenda,M.A., Ph.D., DSc.**
Title of the thesis:	**Impact of Monetary Policy on the U.S. Stock Market**

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

Short summary

The author uses vector autoregressions to identify the effect of money supply and interest rates on stock prices in the US. My interpretation of the results is that no effects are found. I appreciate that the author has learned a lot since she started to work on the thesis. I believe that the thesis is defensible conditional on a strong performance during the defense.

Contribution

I think that the contribution of the thesis should be laid out more clearly. Currently, it is not entirely obvious to the reader. Of course there have been many studies that look into the effects of monetary policy on stock prices. So what is the exact value added here? The author should explain the contribution in much more detail during the defense. Perhaps it is the joint controlling for both conventional and unconventional monetary policy? But there have been studies on that as well. So, I remain slightly confused. On the other hand, I appreciate that the research idea is clear and that the methodology used is straightforward and easy to understand.

Methods

The methodology (VAR) is relatively appropriate to the question at hand. A disclaimer is in order: it is very difficult to establish a causal relationship between monetary policy and stock prices, and it is very ambitious to try to do so in a master's thesis. So the null results presented in the thesis are something we might have expected. I do not fully understand why the VAR model doesn't include measures of economic activity. Don't you have problems with omitted variables? Moreover, money supply (M2) is not fully determined by monetary policy (as the title of the thesis suggests). Money supply is mainly created by commercial banks, but of course they react to monetary policy. Stock prices are related to interest rates by construction, but here the relationship is long-term (via discounting). If changes to interest rates are transitory, which is what we usually assume in VAR, the theoretical connection is much more tenuous. Moreover, the connection between M2 and stock prices is not clear at all.

Literature

I appreciate the discussion of the literature, which hints on some of the issues I mention above. This is the strongest part of the thesis.

Report on **Bachelor / Master Thesis**

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

Student:	**Bc. Liusha Li**
Advisor:	**prof. Ing. Evžen Kočenda,M.A., Ph.D., DSc.**
Title of the thesis:	**Impact of Monetary Policy on the U.S. Stock Market**

Manuscript form

The form of the thesis could be improved substantially. The text is not justified, figures are hard to read – especially the main impulse responses are extremely difficult to decipher. I am disappointed with the final form of the thesis, which seems to have been written and finalized in haste.

Overall evaluation and suggested questions for the discussion during the defense

In my view, the thesis fulfills the requirements for a master's thesis at the IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade D. Nore that it reads more like a mechanical application than a novel and original work. The results of the plagiarism software analysis do not indicate significant text similarity with other available sources.

Question for defense: Explain the choice of variables for your VAR exercise related to the traditional choice in the literature (GDP, inflation, etc).

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

CATEGORY	POINTS
Contribution (max. 30 points)	10
Methods (max. 30 points)	15
Literature (max. 20 points)	25
Manuscript Form (max. 20 points)	11
TOTAL POINTS (max. 100 points)	**61**
GRADE (A – B – C – D – E – F)	**D**

NAME OF THE REFEREE: prof. PhDr. Tomáš Havránek, Ph.D.

DATE OF EVALUATION: **6.8.2024**   Digitally signed, Tomas Havranek

_____
                                                                      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