Report on **Master Thesis**

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

Student:	**Liusha Li**
Advisor:	**Evžen Kočenda**
Title of the thesis:	**Impact of Monetary Policy on the U.S. Stock Market**

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

The thesis brings an analysis of the impacts of monetary policy on the stock markets in the United States over the period from 2013 till early 2024. The thesis is strictly empirical in its nature and puts forward some interesting findings. The conclusions of the thesis are as follows: The results demonstrate the existence of the long-run link between stock prices and monetary aggregates and between stock prices and interest rates, which is a finding corresponding to the relevant literature. Further results show interesting and specific reactions of stock prices to various shocks – the reactions are quite small with respect to the monetary policy instruments. The detailed findings are further corroborated by the evidence from the variance decomposition showing that stock prices are mainly influenced by their own innovations. In sum, the thesis provides a thorough quantitative analysis and points to the limited impact of the US monetary policy on the stock market.

Methods

For the analysis itself, several standard time-series methods are employed. The vector autoregression (VAR) model is employed as a workhorse from which impulse response functions and variance decompositions are obtained. These tools are complemented by stationarity and Granger causality tests. Despite that there is no real methodological advancement (which frankly was not the purpose of the thesis), the methods are well applied to the data.

Literature

The literature review section summarizes the current state of research in the field quite well. Moreover, the literature review covers two important angles of the research topic from the perspective of the two essential monetary tools: the impact of money supply on stock markets as well as the impact of interest rates. Besides the literature review section, part of the literature relevant to the topic of the thesis is also put forward in the Introduction. Hence, the literature is reviewed in detail and covers all relevant papers and angles.

Manuscript form

The manuscript conforms to the formal requirements for the master thesis. The text reads well, but it could be improved after some imperfections in sentences and grammar are accounted for. The results are presented with enough detail. The introduction is informative, with a clearly presented goal of the thesis, which could be articulated somewhat upfront, though. Data are described in full detail. The hypotheses are presented in the thesis text in full. Tables and figures are presented in an organized and legible manner, but they lack self-explanatory notes. References are complete.

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Summary and suggested questions for the discussion during the defense

The thesis represents a very good empirical work in the area of monetary policy impacts on stock markets. The results of the Urkund analysis do not indicate significant text similarity with other available sources. I believe the thesis fulfills the requirements for a master's thesis at IES, Faculty of Social Sciences, Charles University. I suggest a grade of A.

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	26
Methods	*(max. 30 points)*	26
Literature	*(max. 20 points)*	20
Manuscript Form	*(max. 20 points)*	19
TOTAL POINTS	*(max. 100 points)*	**91**
GRADE	**(A – B – C – D – E – F)**	**A**

NAME OF THE REFEREE: Evžen Kočenda

DATE OF EVALUATION: *August 1, 2024*

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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