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Review

of the Bachelor Thesis

by Petrov Stanislav Alekseevich,

titled

“The Impact of Bank of Russia Monetary Policy Communication on the Stock Market”

The thesis by Stanislav is devoted to the relationship between tonality of the Bank of Russia communication (press releases and press conferences) with a number of financial and economic variables. Namely, the author calculates tone on the public texts from the Bank of Russia and then use regressions for the stock and bond returns, plus for the gold.

The main result is the following:

1) Stock index, corporate bonds and gold react differently and significantly to the tone of press conferences and press releases.

I have the following comments:

1) **Expectations**. The author controls for say key rate change in the regressions. However, we might need to control for unexpected changes, otherwise they might already be in prices. This is very important and should be explained in more details;
2) Stocks. It might be that Russian stock market reacts to the international events, and there might be some type of global CAPM for the Russian index. One may consider abnormal return rather than just return;
3) Summary statistics. I did not find a table with these, and we do not know if there are some outliers in the data. It might be better to insert such a table in the text. E.g. December 2014 and January 2015 might be the dates with unusually high changes in rates and impact all OLS regressions a lot;
4) Table 2, regressions, and section 3.3. The outcome variable that is used is “daily return”, while the press conference follows the press release during the decision day. One may distinguish these two events within the day and study the reaction to the press release (nowadays, usually 13:30 Moscow time) and press conference (usually from 15:00 to 16:00). It may be that the market first reacts negatively to the tone of the press conference and then reacts positively to the tone of the press conference;
5) Bonds. Daily return for bonds is probably not the best measure of market reaction as it has some drift. One has to clarify more what is the benchmark return;
6) Other days. The author only includes decision days in the sample. This means that the benchmark is not fully defined – we do not know what happens in other days in the sample with all the dependent variables, and that is important for the regressions.

The thesis is an interesting investigation in the modern research on monetary policy. As far as I am informed, it is one of the first attempts into the topic for Russia. The thesis is relevant and can be applied in practice. However, I have reservations with respect to the “expectations” on the dependent variables, and the “daily horizon” when one studies “instant reaction”. I consider the work as certainly enough for a bachelor thesis, and it deserves 8 or 9.

Recommended grade: 8 or 9.

Reviewer: Senior lecturer in Finance, New Economic School

Oleg Shibanov Шибанов 26.05.2022

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