

## **Referee Report on “Transaction taxes and Traders with Heterogeneous Investment Horizons in an Agent-Based Financial Market Model” by Mrkus Demary**

This manuscript examines the effects of introducing long-term traders on exchange-rate dynamics in an agent-based financial market under (i) a fundamental trading rule and (ii) a chartist trading rule. The author also examines the impact of transaction taxes on the short- and long-term trading strategies. Overall, this is a fine piece of work, and a much shorter version is likely to become publishable as a journal article after addressing each of the following specific comments:

1. The Introduction needs to be completely rewritten in a more focused way. The current version includes scattered/disorganized discussions of the previous literature without clearly stating the exact value added of the author’s work. Moreover, discussions of the underlying economics intuition for the manuscript’s main results need to be strengthened.
2. The following text can be deleted without affecting the manuscript’s flow: (i) the so-called requirements and assumptions on page 7; (ii) the advantages of agent-based modeling on pages 15-16; (iii) the text on page 21 (essentially a repeat of what has been discussed earlier).
3. The discussions on page 14-15 overstate the baseline simulation results in terms of the model’s ability to match with the observed skewness and kurtosis.
4. None of the figures are easily comprehensible. Reducing the number of figures and/or enlarging the size of each figure should be helpful.
5. The author needs to derive and explain the threshold level of transaction taxes above which fundamental trading rules become relatively unprofitable.