Report on Bachelor / Master Thesis

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

Student:	**Bc. Zuzana Baranová**
Advisor:	**Prof. Roman Horváth, Ph.D.**
Title of the thesis:	Coexceedance in financial markets of countries trying to join the European Union

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 assess the extent of stock market contagion between Germany, and the South-East European countries and Turkey. It estimates the coexceedance measure of Baur and Schulze (2005) and employs it within quantile regression framework. It uses daily data in 2006-2018. The stock market contagion is stronger during the crisis period and driven by some other asset classes dynamics. The novelty is an application of this method to a new set of countries.

I would appreciate if the author provides the definition of contagion when this term is used for the first time.

Methods

Coexceedance measure is used as the dependent variable and quantile regressions are employed. The is a standard choice to examine financial contagion.

I would appreciate some discussion of the liquidity and depth of stock markets rather than just mentioning the basic facts visible easily from the figures. Did the stock market liquidity change after the 2007-2009 crisis? Given the high volatility during 2007-2009 period, it is impossible to see the more recent volalities in the figures. Overall, the analysis of stock market developments is rather too introductory.

Literature

The important references are discussed, the thesis is well placed in the literature. Sometimes the thesis cites and discusses the old working paper versions eventhough the new final versions (those published in a journal) are available. The author sometimes writes that she uses the Bae et al. (2003) methodology to assess the financial contagion. In fact, the Baur and Schulze (2005) method is used. The Bae et al. methodology provides a different measure of coexceedances and applies it within different econometric model.

Manuscript form

The manuscript would benefit from some more rounds of editing, for example, consider the the first paragraph of the introduction, which is loosely focused on the topic of the thesis. The thesis sometimes has inaccurate claims such as claiming that if we can find the determinants of the contagion, we will be able to predict the contagion in future. This is highly disputable because the in-sample forecasting (which this thesis essentially does) does not guarantee out-of-sample forecasting ability. The introduction lacks the emphasis on novelty and contribution of this thesis. The literature survey has extremely long paragraphs. Some references are not in standard format. We should write Author (year) and we should not forget to refer to the (year) part. The author writes that she wants to

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confirm or reject hypothesis on a statistical basiis. There is no such thing as confirming the hypothesis, the hypothesis is rejected, or not. There are typos but not many. It is not necessary to present the results up to five or six decimal points. All regression results are placed into the Appendix, which is not standard. The regression tables contain the abbreviations, which makes them difficult to read without consulting the main text. Some statements are not accurate. For example, the thesis says that bootstrapping the regression leads to robust results, while it should be that bootstrapping the standard errors leads to robust standard errors.

Summary and suggested questions for the discussion during the defense

Overall, the thesis represents a solid piece of applied econometrics work focused on an important policy topic (financial contagion). However, several rounds of polishing of the thesis would be required as well as some comparison to previous literature should be conducted. Some parts of analysis is a bit too rudimentary. Therefore, I recommend the grade C.

Questions:

1) Can the estimated degree of financial contagion be affected by the insufficient liquidity of stock markets?
2) What is contagion? Can we make equal coexceedances to contagion?

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	22
Methods	*(max. 30 points)*	27
Literature	*(max. 20 points)*	17
Manuscript Form	*(max. 20 points)*	12
TOTAL POINTS	*(max. 100 points)*	**78**
GRADE	**(A – B – C – D – E – F)**	**C**

NAME OF THE REFEREE: Prof. Roman Horváth, Ph.D.

DATE OF EVALUATION: August 22, 2018

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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.*

Strong	*Average*	*Weak*
30	*15*	*0*

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.*

Strong	*Average*	*Weak*
30	*15*	*0*

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

Strong	*Average*	*Weak*
20	*10*	*0*

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.*

Strong	*Average*	*Weak*
20	*10*	*0*

Overall grading:

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