

Report on Master Thesis

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

Student:	Juliána Šoleová
Advisor:	Jozef Baruník
Title of the thesis:	Frequency Connectedness of Financial, Commodity, and Forex Markets

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

Contribution

The thesis presents an original and interesting empirical contribution to the largely developed literature measuring connectedness of economic variables. Juliana concentrates on the measurement of linkages between very diverse markets including commodities, forex, stocks. More importantly, she asks a question if the transmission of shocks across these markets is the same at various investment horizons. Applying the newly developed frequency connectedness measures due to Barunik and Krehlik (2018), the thesis brings large empirical study contributing with interesting empirical findings. One of the main findings is that the connectedness is formed more likely in the short run than long run. This is in sharp contrast to findings of studies that focus on single market, or asset type.

Methods

The thesis adopts Barunik a Krehlik (2018) methodology that allows to measure connectedness in frequency domain. The method itself is advanced, and requires lot of additional work in comparison to standard methods. Juliana proved herself to be a hard worker and managed to work with methodologies correctly both technically as well as on the side of interpretations which are not trivial.

Literature

Juliana demonstrates a good understanding of the current literature, and works with state of the art literature. Relevant literature is discussed in the text and used for developing own novel approach.

Manuscript form

The text is logical, well written, connects findings to the existing literature well. Introduction and motivatin is written very nicely. Juliana worked consistently to obtain the results for a long period, and we have discussed the results and text on a regular basis during the year. My only slight criticism is to some parts of the text. For example asset classes are described in very detailed way, but sometimes reader misses bigger picture. More importantly, the same is true for the results section. While results and the way how they were obtained are described in very detailed way, it is too descriptive and lacks discussion of the author.

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Summary and suggested questions for the discussion during the defense

In conclusion, I believe the thesis is a solid piece of work deserving attention. Juliana contributes to the literature studying how the markets are connected with solid empirical study. The novelty of using information at various frequencies and across such diverse classes is an important step, and could well fit the recent strands in the literature. Juliana delivered a solid piece of work, and in case she is confident about broader motivation of the results, and mainly provides a solid economic reasoning why the approach taken should actually be beneficial, I suggest the final grade A.

My main questions to the defence concern the main finding of the thesis. In contrast to specific markets, or asset classes, Juliana documents short-run to be an important driver of connections in the markets concerning wider asset classes. What does this mean economically? Should we believe that information is transmitting fastly between the studied classes, and they are not connected generally in the long run? What are the implications from the analysis for the portfolio diversification for example?

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	27
<i>Methods</i> (max. 30 points)	30
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	14
TOTAL POINTS (max. 100 points)	91
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: Jozef Baruník

DATE OF EVALUATION: January 8, 2019

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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
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