Report on **Bachelor / Master Thesis**

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

Student:	Bc. Ján Popaďák
Advisor:	Jaromír Baxa
Title of the thesis:	Do fundamentals matter for government bond spreads in the EU? Evidence from non-linear models.

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

In this thesis, Ján Popaďák estimates determinants of bond spreads among the EU member states by two non-linear methods that account for possible regime changes. These two methods include Markov-Switching model (MS model), and the Dynamic Model Averaging (DMA). While the MS model accounts for discrete regime changes, the DMA focuses on identification of factors that drive the dependent variable at a particular point of time. Up to my knowledge, the DMA wasn't applied in the context of estimating determinants of bond spreads yet, and Ján's thesis provides an interesting addition to the literature.
The results are somewhat in-line with existing studies, notably with Afonso et al., 2017 (Whatever it takes to resolve to the Europeand sovereign debt crisis?; quoted in the thesis), showing that in the EMU countries, the Great Recession caused a regime switch, and the OMT's changed the dynamics as well. On top of that, Ján estimates the determinants in the non-EMU countries as well, finding that for example in the U.K. no apparent regime change has appeared. From my point of view, the thesis points to an important question whether the EMU does decrease the economic reslilience of its member states, or not.

Methods

The methods, the MS models and DMA model, are from my point of view a natural candidate for this empirical exercise. Their description is solid, and technically, they seem to me as being well implemented.
Perhaps, the MS model could have been extended to three-regime model, but it's not really a conventional choice in the literature, so I don't consider it problematic at this level.
The selection of determinants of bond spreads follows the literature, and in line with the recent literature, the forward-looking variables accnouting for expectations are included as well (economic sentiment indicator ESI, policy uncertainty index, domestic yield curve).

Literature

The relevant literature is covered, and citations follow the conventions.

Manuscript form

The structure of the thesis is quite logical, but perhpas not that well written as some other theses are. The logical structure of arguments was OK. The section describing the results could have been perhaps somewhat more extended to focus more on the general message, but this is a matter of taste.

Summary and suggested questions for the discussion during the defense

Overall, I find the thesis as decent, perhaps not the best one I have supervised, but it meets the criteria of solid and independent research.
For the defense, I suggest the following questions for the discussion:

Report on **Bachelor / Master Thesis**

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

Student:	Bc. Ján Popaďák
Advisor:	Jaromír Baxa
Title of the thesis:	Do fundamentals matter for government bond spreads in the EU? Evidence from non-linear models.

1. When the regimes alternate as often as in case of the non-EMU countries, does the result have any meaningful interpretation?
2. Are there any important policy implications stemming for the thesis that could be important for policy makers in the EU?
My recommendation is to award the thesis by grade B.

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	25
Methods	*(max. 30 points)*	27
Literature	*(max. 20 points)*	20
Manuscript Form	*(max. 20 points)*	15
TOTAL POINTS	*(max. 100 points)*	**87**
GRADE	**(A – B – C – D – E – F)**	**B**

NAME OF THE REFEREE: *Jaromír Baxa*

DATE OF EVALUATION: *January 13, 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.*

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**