

Report on Bachelor Thesis

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

Student:	Andrea Lazukićová
Advisor:	Doc. PhDr. Petr Teplý, Ph.D.
Title of the thesis:	The role of credit default swaps during the subprime mortgage crisis in 2007-2009

OVERALL ASSESSMENT

The 2007-2009 global financial crisis ("GFC") is sometimes called a subprime mortgage crisis. Financial derivatives such as credit default swaps (CDS) have fuelled the GFC since they covered underlying risks of the US housing market. Andrea Lazukićová investigates the topic when analysing the role of the CDS during the GFC.

Contribution

The main contribution of the thesis are findings relevant the CDS market during and after the GFC: i) high correlation of a delinquency rate of short-term mortgages with a maturity of issued CDSs; ii) the volume of subprime mortgages increased as the volume of issued CDS increased; iii) a mortgage delinquency rate was lower in the 2006-2008 period than in 2009-2011, what implies higher credit risk after the GFC (surprisingly).

Methods

The author presents three research hypotheses. When testing them, Andrea applies standard methods appropriate for this research area: a probit model as discussed by Wooldridge (2010) and applied by Arentsen et al. (2015), among others.

Literature

An 8-page literature survey on relevant works seems comprehensive. The author compares his results with Stroebel and Taylor (2009), Stanton et al. (2011) and Arentsen et al. (2015), what makes her research valuable.

Manuscript form

The manuscript form fulfils standard requirements. However, neither tables nor figures are numbered. I appreciate that Table on page 23 that includes a comparison of other researchers' work. However, Table on page 35 does not explicitly compare Andrea's findings with other researchers.

Summary and suggested questions for the discussion during the defense

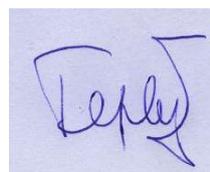
Andrea has developed a solid academic approach, reviewed the existing literature, identified and investigated open questions and drew relevant conclusions from that.

Questions to the defense:

- 1) Table on p. 49 indicates high correlation of a delinquency rate of short-term mortgages with a maturity of issued CDSs. What is reasoning for that?
- 2) What are key regulatory policy recommendations based on Andrea's research?

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	24
<i>Methods</i> (max. 30 points)	15
<i>Literature</i> (max. 20 points)	14
<i>Manuscript Form</i> (max. 20 points)	9
TOTAL POINTS (max. 100 points)	62
GRADE (A – B – C – D – E – F)	D



NAME OF THE REFEREE: Doc. PhDr. Petr Teplý, Ph.D.

DATE OF EVALUATION: May 15, 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