

Report on Bachelor / Master Thesis

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

Student:	Lukáš Tomek
Advisor:	PhDr. František Čech, Ph.D.
Title of the thesis:	Financial Markets Comovements in Northern Europe

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 presented thesis concentrates on interdependencies between financial markets in Scandinavian and Baltic countries. The author employs multivariate GARCH (DCC GARCH) models to study the evolution of the correlations between sector indices on the NASDAQ Nordic exchanges. The findings are that Scandinavian and Baltic countries are not highly connected while on the country and sector levels the dependencies are tight.

Methods

Although methods used in the thesis are standard in the time series literature, they are not standard for bachelor thesis. To finalize the thesis author successfully studied methods such as multivariate GARCH models on his own – the description of the methods in the thesis is detailed and accurate. The drawback of the structure is not including a description of the ARMA models as the first step before volatility modelling – it is only mentioned on p. 31. Also, the final estimated equations for different variants of GARCH models used in the thesis, i.e. IGARCH should be mentioned in the text.

Literature

The submitted thesis contains a basic overview of the current literature devoted to volatility modelling and its application in portfolio management. Majority of the papers mentioned in the thesis are relevant to the topic and were published in the respected economic journals. The author shows a good knowledge of the literature, works with it reasonably well and tries to explain all the concepts used throughout the thesis in a clear way. Some references deserve to be checked (e.g. WP of Sharpe (1978), master thesis of Orksaug (2009)) and the references should have the same format (different format for volume, issue, pages in several references, in some references pages are incomplete, e.g. Markowitz (1952)).

Manuscript form

The manuscript form is not the strongest part of the thesis. The text would benefit from careful proofreading, some parts deserve to be extended, e.g. introduction is rather short and should contain at least a brief description of results, figures should be of higher quality, x-axes labels in some figures (e.g. figure 3) should contain years, tables should have the same format (e.g. Table 2 vs Table 4), etc.

Summary and suggested questions for the discussion during the defense

The submitted thesis provides us with an interesting overview of northern European financial markets and connections on them, and the author revealed some interesting findings about these markets. During a defense author should explain how the different data groups described on p. 31 were created and how it helps in the empirical analysis. It might be also interesting to discuss possible reasons for the close connection of Helsinki and Stockholm Stock Exchanges and not such connection with Copenhagen and Baltic countries. In case of successful defense, I recommend grade "C".

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	24
<i>Methods</i> (max. 30 points)	24
<i>Literature</i> (max. 20 points)	17
<i>Manuscript Form</i> (max. 20 points)	12
TOTAL POINTS (max. 100 points)	77
GRADE (A – B – C – D – E – F)	C

NAME OF THE REFEREE: František Čech

DATE OF EVALUATION: 15.5.2020

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.*

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.*

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

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.*

Overall grading:

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