

Report on Bachelor / Master Thesis

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

Student:	Matěj Coufal
Advisor:	Prof. Ing. Michal Mejstřík, CsC.
Title of the thesis:	Significance of different financial ratios in predicting stock returns: NYSE – cross-industry analysis

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 contribution of the thesis lies in identifying the financial ratios that are important for investors' decision making regarding stocks that belong to different industries. Moreover, the author aims to uncover the discrepancies in priced ratios given heterogeneous investment periods. The results themselves are correctly interpreted, however there is a substantial room left for the discussion of the discrepancies between results from the individual sectors. Such discussion should be present in the section „Cross-industry comparison“ which rather repeats the results from the previous section than discusses the heterogeneity across industries, and why the differences are present.

Methods

The thesis uses the most basic panel data methods to answer the underlying research questions. This fact itself does not present any substantial problem, as the small dataset provides little flexibility regarding the methods used. In light of using the basic methodology, I would expect thorough robustness checks, and discussion of possible shortcomings attributable to the specifics of the dataset, and the explanatory variables.

Literature

The literature review is well structured, and shows understanding of not only the recent literature, but incorporates also relevant sources dating further in the past.

Manuscript form

The manuscript is well structured, and overall appearance is satisfactory. The introductory and concluding sections would be better off if they were not divided into subsections, and the NYSE section seems quite redundant. The language is completely adequate, I would only avoid using the word „concrete“ in the meaning „specific“. The clarity for the reader is reduced by not including any Figures/Tables in the body of the text, moreover these Figures/Tables presenting the results are not referred to in the text.

Summary and suggested questions for the discussion during the defense

The thesis investigates which financial ratios play a role in determining the returns on the NYSE. It aims to uncover discrepancies in investor preferences for different sectors. The methods used are a bit naive, although they could be adequate to the task. However, a discussion of possible shortcomings stemming from using the particular methods is missing, as well as further tests and checks of robustness of the results. The results mostly confirm the findings of the previous studies. The thesis would benefit from a more widespread discussion for the causes and consequences of the results, and a comprehensive comparison of discrepancies between individual sectors, and the reasons why such discrepancies are present.

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Below I present some comments and questions that should be addressed at the defense.

- The thesis suggests that two of the most important predictors are book-to-market, and market capitalization. Is this in line with the previous studies? How do you interpret the sign of these effects?
- Could the small number of entities present especially in the Airlines and Software sectors cause any problems in terms of validity of the results.
- Do you suspect any correlation between the financial ratios? Does including all of them in the model pose any problems?
- How do you interpret the differences in the results for the individual industries?

I recommend the thesis for defense with a suggested grade B.

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	22
<i>Methods</i> (max. 30 points)	23
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	16
TOTAL POINTS (max. 100 points)	81
GRADE (A – B – C – D – E – F)	C

NAME OF THE REFEREE: Josef Kurka

DATE OF EVALUATION: 20.5.2020



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