

Report on Master Thesis

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

Student:	Vendula Procházková
Advisor:	Jozef Barunik
Title of the thesis:	Asset Prices, Network Connectedness, and Risk Premium

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 diploma thesis studies how the risk stemming from high connectedness of assets forming a network is priced in the cross section of asset returns. Using data about different market sectors, author documents network connectedness of those sectors to be an important risk factor connected to risk premium. Author hence confirms an intuition that higher connectedness of the network will lead to higher risk that should be compensated to investors and empirically documents different prices of such risk for various sectors.

Methods

Author uses state of the art methods that are bit more advanced but handled with care. Using connectedness measures and Fama-MacBeth regressions, Vendula shows proficiency in advanced analysis and rigorous work.

Literature

Vendula demonstrates deep understanding of the literature and gives credit to all important as well as relevant studies. The author works with relevant literature properly and develops her own original ideas based on proper understanding of the previous literature. With this respect, Vendula provided excellent work.

Manuscript form

The text is logical, well written, connects findings to the existing literature well. Vendula worked consistently to obtain the results for long period, and we have discussed the results and text on a regular basis during the year, as well as during the last stage of writing. Formally, manuscript meets all requirements too.

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Summary and suggested questions for the discussion during the defense

In conclusion, I believe that during the work Vendula proved herself to be an independent researcher, she obtained interesting original results, mastered advanced econometric techniques, and finally was able to use all these skills to deliver sound and economically relevant work. Hence the thesis deserves to be defended without doubts. In case Vendula is confident in presenting the details of the work during the defense, and especially present economic motivation and importance of the discussion in the asset pricing implications, I suggest to award the work with grade „A“ without further questions.

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

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

NAME OF THE REFEREE: Jozef Barunik

DATE OF EVALUATION: May 22, 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