

Report on Bachelor / Master Thesis

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

Student:	Bc. Viktória Mjartanová
Advisor:	prof. PhDr. Ladislav Křišťoufek, Ph.D.
Title of the thesis:	Liquidity and Predictability of Cryptoassets

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 submitted thesis deals with a currently hot topic of investments into the cryptoassets. Specifically, the author studies the role of the cryptoassets liquidity for the predictability of the returns. Using the cross-sectional and panel data analysis author finds mixed results – while the cross-sectional analysis suggests negative relationship between liquidity and returns, findings of the panel data analysis are opposite.

Methods

In the methodology section, I miss the formal definition of the returns – while author wrote that “... returns are calculated as logarithmic returns ...” it is not clear whether she speaks about daily close-close returns or the open-close returns. While these two types of returns are in most cases close to each other, there might be some differences, particularly in highly volatile markets. There is also question what are the trading hours for the cryptoassets – are the data used in the thesis collected on the 24/7 basis, or are they restricted to regular US business hours, etc.

Given the description of the construction of selected measures (section 4.1-4.3), I am not sure how the panel data structure used in the empirical analysis is constructed, e.g. using eq 4.11 for each cryptoasset we obtain a single number that represents Amihud liquidity ratio i.e. for 100 cryptoassets we have a cross-section of 100 liquidity ratios (same for Garman-Klass volatility measure). The same seems to apply to predictability measures – from a time series of returns, we obtain a test statistic that is a single number. What is the time dimension in panel data structure?

Besides previous comments, methods used in the thesis are relevant for the topic and are correctly described; the empirical analysis seems to be carried out properly.

Literature

Literature used throughout the thesis is sufficient, and the author demonstrates good knowledge of it.

Manuscript form

The submitted thesis is nicely written and reads well. I have only one minor comment regarding „excessive“ citation – if we use one source of information we do not have to mention it in every sentence of the paragraph – for example, second paragraph, Ch.2 „As Mersch (2018) explains, Mersch (2018), however, Volatility makes (Mersch, 2018)“ The same is repeated in next sentence with Yermack (2013) and basically in the whole thesis.

Summary and suggested questions for the discussion during the defense

Overall, I think this thesis is of good quality despite the not perfectly clear description of the estimation procedure and the dataset. During the defense author should answer the following question:

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- Given my comment regarding panel data structure, the author should explain how exactly she transforms raw data, i.e. cryptoassets prices, to the final dataset used in cross-section and panel data analysis.

In my view, the thesis fulfills the requirements for a master thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade B. The results of the Urkund analysis do not indicate significant text similarity with other available sources.

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	25
<i>Methods</i> (max. 30 points)	25
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	18
TOTAL POINTS (max. 100 points)	88
GRADE (A – B – C – D – E – F)	B

NAME OF THE REFEREE: *František Čech*

DATE OF EVALUATION: 18.1.2021

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.*

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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