Report on Master Thesis

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

Student:	**Bc. David Pergl**
Advisor:	**Mgr. Magda Pečená, PhD.**
Title of the thesis:	**Estimation of company credit rating by means of ordered probit model applied to Czech bond market environment**

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.

Short summary
The thesis of Mr. Pergl is comprehensive and up-to-date, it covers a large area of credit analysis based on (pure) financial ratio analysis. The main contribution of the thesis is researching the relationship between the quality of the borrower (hence his estimated credit rating) and YTM or credit spread of the bond issues by Czech borrowers.
The topic per se is quite well researched in many developed countries, especially in those, where a developed and functioning capital market exists. In these countries generally the YTM and/or credit magin is increasing with decreasing quality of the borrower. As we have expected, to prove such a relationship is difficult for Czech borrowers as the bond market is not sufficiently liquid and deep, also very imited number of borrowers plays its negative role. In (Czech) market with low number of borrowers (and low number of issues), low number of trades and low traded volumes the basic trade-off between risk and return is difficult to show.

In my overall view, the thesis is very good, fulfills the requirements for master thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest grade B.

Contribution – David Pergl made an enormous effort in collecting data on US, EU and subsequently the Czech bond market. The flow of the analysis is logic and fits in the general framework of analysis. But unfortunatelly the results proved that the Czech market has not developed that far to show that risk reward relationsip holds. This is main – and not trivial - contribution of this thesis, but not surprising for those who follow the Czech bond market. David Pergl actually proved the general observation.

Methods – The methods used were adequate to the analysis performed. David Pergl made use of econometric analysis appropriate to the topic.

Literature – I did not identify any shortcomings in Mr. Pergl´s work with literature, the literature used was relevant.

Manuscript form – I did not find any significant shortcomings in the manuscript form, but the graphical part of the thesis could be presented in a nicer form (tables, graphs) to become perfect. The level of (English) language is high.

The results of the Urkund analysis do not indicate significant text similarity with other available sources (after excluding the own citations of Mr. Pergl´s first version of the thesis), all other similarities are well sourced.

Question:
1. Would you change something in your approach and econometric analysis when more public data on Czech bond market is available?

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

CATEGORY	POINTS
Contribution (max. 30 points)	25
Methods (max. 30 points)	30
Literature (max. 20 points)	20
Manuscript Form (max. 20 points)	14
TOTAL POINTS (max. 100 points)	**89**
GRADE (A – B – C – D – E – F)	**B**

NAME OF THE REFEREE: Mgr. Magda Pečená, Ph.D.

DATE OF EVALUATION: 1.6.2021

Digitally signed (1.6.2021):
Magda Pečená
Referee Signature