Report on Bachelor / Master Thesis

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

Student:	**Richard Karolík**
Advisor:	**Roman Horváth**
Title of the thesis:	**The US Financial Market Uncertainty and Its Spillover to European Stock Markets**

***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 thesis analyzes spillovers of the financial market uncertainty from the United States to three major European stock markets (Germany, France, United Kingdom). The key contribution is the evidence showing show the negative effect of the US financial market uncertainty on all examined indices, indicating the occurrence of the uncertainty spillover from the United States to Europe. Further, the thesis examines the response to uncertainty shock for the two distinctive periods: before and after the Lehman Brothers collapse, thus accounting for the environment before and after the global financial crisis. The findings show that in the period following the crash of Lehman Brothers, the stock markets recover much faster when compared to the period before the crash; due to the shorter data span, the results should be taken cautiously, though. Overall, results are in accord with similar empirical studies in the filed literature.

Methods

The uncertainty is measured by the financial market uncertainty index (FMUI) designed by Horvath and Kapounek (2020). As an alternative, and for the purpose of the robustness check, the economic policy uncertainty index of Baker et al. (2016) is used as well. The spillover dynamics is assessed via the local projection method to estimate the impulse response functions (IRF) as an alternative to a standard IRF derived from the conventional VAR model. The methods are described in detail and sufficiently. The FMUI is formally defined in the appendix; some minor notational explanation should be improved. It would be better if the formal description of the index was included in the main text, though. The methods are well applied on the data.

Literature

The literature review section summarizes the current state of research in the field quite well. Hence, the literature is reviewed in a detail and covers all relevant papers and angles.

Manuscript form

The manuscript conforms to formal requirements for the master thesis. The text reads well but it could be improved after some imperfections in sentence and grammar are accounted for. The results are presented with enough detail. Introduction is informative but the goal of the thesis should be clearly stated at the beginning of the introduction. Further, some repetitions should be avoided. Data are described with sufficient detail. Hypotheses are not stated in the thesis itself, but they are clearly stated in the thesis proposal. Tables and figures are presented in an organized and legible manner. References are complete.

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Summary and suggested questions for the discussion during the defense

The thesis does represent very good empirical work on the subject of uncertainty spillovers among markets. The results of the Urkund analysis do not indicate significant text similarity with other available sources. In my view, the thesis fulfills the requirements for a master thesis at IES, Faculty of Social Sciences, Charles University. I suggest a grate of A.

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

CATEGORY		**POINTS**
Contribution	*(max. 30 points)*	27
Methods	*(max. 30 points)*	28
Literature	*(max. 20 points)*	20
Manuscript Form	*(max. 20 points)*	17
TOTAL POINTS	*(max. 100 points)*	**92**
GRADE	**(A – B – C – D – E – F)**	**A**

NAME OF THE REFEREE: Evžen Kočenda

DATE OF EVALUATION:

Digitally signed (24.08.2021)
Evžen Kočenda

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**