IMESS DISSERTATION

Note: Please email the completed mark sheet to Year 2 coordinator
(cc Chiara Amini chiara.amini@ucl.ac.uk **and** fiona.rushworth@ucl.ac.uk**)**

Please note that IMESS students are <u>not</u> required to use a particular set of methods (e.g. qualitative, quantitative, or comparative) in their dissertation.

Student:	Yongyan Zhu
Dissertation title:	The Effect of the 2007-2008 Financial Crisis on Stock Market Performance: Evidence from Eastern and Central European Countries

	70+	69-65	60-61	59-55	54-50	<50
	A	B	C	D	E	F
Knowledge *Knowledge of problems involved, e.g. historical and social context, specialist literature on the topic. Evidence of capacity to gather information through a wide and appropriate range of reading, and to digest and process knowledge.*		66				
Analysis & Interpretation *Demonstrates a clear grasp of concepts. Application of appropriate methodology and understanding; willingness to apply an independent approach or interpretation recognition of alternative interpretations; Use of precise terminology and avoidance of ambiguity; avoidance of excessive generalisations or gross oversimplifications.*			64			
Structure & Argument *Demonstrates ability to structure work with clarity, relevance and coherence. Ability to argue a case; clear evidence of analysis and logical thought; recognition of an argument´s limitation or alternative views; Ability to use other evidence to support arguments and structure appropriately.*			62			
Presentation & Documentation *Accurate and consistently presented footnotes and bibliographic references; accuracy of grammar and spelling; correct and clear presentation of charts/graphs/tables or other data. Appropriate and correct referencing throughout. Correct and contextually correct handling of quotations.*				55		
Methodology *Understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.*			64			

ECTS Mark:	63 (C)	**Charles Mark:**	D	**Marker:**	Vilém Semerák, Ph.D.
Deducted for late submission:	No			**Signed:**	
Deducted for inadequate referencing:				**Date:**	September 21st, 2021

MARKING GUIDELINES

A (UCL mark 70+) = A (Charles mark 91-100 - excellent): *Note: marks of over 80 are given rarely and only for truly exceptional pieces of work.*
Distinctively sophisticated and focused analysis, critical use of sources and insightful interpretation. Comprehensive understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.

B (UCL mark 69-65) = B (Charles mark 81-90– very good)
C (UCL mark 64-60) = C (Charles mark 71-80 – good): A high level of analysis, critical use of sources and insightful interpretation. Good understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research. 65 or over equates to a B grade.

D (UCL mark 59-55) = D (Charles mark 61-70 – satisfactory)
E (UCL mark 54-50) = E (Charles mark 51-60 – sufficient):
Demonstration of a critical use of sources and ability to engage in systematic inquiry. An ability to engage in sustained research work, demonstrating methodological awareness. 55 or over equates to a D grade.

F (UCL mark less than 50) = F (Charles mark 0-50 - insufficient):
Demonstrates failure to use sources and an inadequate ability to engage in systematic inquiry. Inadequate evidence of ability to engage in sustained research work and poor understanding of appropriate research techniques.

Please provide substantive and detailed feedback!

Comments, explaining strengths and weaknesses (*at least 300 words*):

The main objective of the paper was to analyze the effects of the 2007-09 financial crisis on stock market performance, specifically the transmission of the shocks from the US market onto the markets of 7 CEE countries (and amongst the CEE markets). Each country's financial market is represented by its main stock market index (i.e. PX50 in the case of Czechia) whereas the performance of the US financial market is described by S&P500 index. Timing of the crisis (in the US) was identified with the use of data of the CBOE volatility index VIX. This can be considered a fairly logical and not unusual approach.

The thesis contains a very broad literature review that describes the possible effects of the financial crisis on many aspects of economic behaviour (section 2 with many subsections). Especially the first part of the description of possible implications is perhaps even too broad, Ms Zhu cites many papers but it is not easy to keep the text focused and coherent. The sub-sections which focus directly on contagion amongst markets are better-focused.

Ms Zhu's empirical analysis is based on VAR models (complemented by pre-testing for stationarity and subsequent tests of Granger-causality) and DCC Garch model. Although there are modern papers with more advanced methods, I consider this methodology adequate for this level of study. Besides the econometric analysis Ms Zhu also provides a visual inspection and description of the indices (p. 45-51) which arguably might have taken up a bit less space, extensive discussion of descriptive statistics and simple correlation analysis; she also attempted to identify possible structural breaks in the data (p. 51-52).

The data used by the author describe the period from January 2000 till May 2021, the whole sample was divided into the pre-recession period (before December 2007) and post-recession period (after June 2009). Unfortunately, as the author was facing unexpected problems with access to data (she lost access to the source that she had intended to use), the analysis was done on monthly data (adjusted closing prices). We did succeed in getting access to an alternative source of more detailed data (including daily data) eventually, but it came too late and the author did not have time to redo the analysis. However, the use of monthly data, even though it can be considered a compromise, is not unique (the author cites other papers which opted for this approach).

Many of the results look plausible, but there are also some suspicious conclusions - such as that the Bulgarian financial markets help predict the US financial market (p. 65). We had some discussion about this conclusion, the author decided to support this interpretation by adding details on possible involvement of US companies in Bulgarian market (and interestingly enough these details contradict the claims on p. 79). Still, this explanation is not perfect (the presence of foreign capital does not necessarily mean the local company is present in the stockmarket) and I would rather suggest looking for some other explanation (and tests of such an explanation).

Other Issues - some additional editing of the literature review might have been useful, some cited results are not easy to understand (e.g. the mention of automatic stabilizers on p. 33), in other cases the formatting (e.g. capitalization) looks like something is still missing or the author was still planning to add something later. An unfinished sentence can be found on p. 76., an interesting typo that concerns the Czech Republic survived till the final version on p. 80). Similarly, some of the abbreviations and names had inconsistent capitalization (CBOE/Cboe - p. 35), some references to the literature included typos (DueanandYe, 2008 - p. 35). Table 1 does not include the year when trading started on the Lithuanian stock exchange (p. 37). Interestingly, this information is not provided on p. 39 either (unlike in the case of other stock markets analyzed by the author).

Similarly, formulas are missing on pages 39 and 59. And there is an even more troublesome case, the formulas describing the VAR model (p. 43) are not legible in the submitted pdf file. Both cases seem to have occurred due to a hasty last-minute conversion to the pdf format, as previous versions sent to me by the author included these formulas (they were typed in the old-style Equation editor in MS Word). Finally, the results of regressions are presented as unwieldy and in some cases also hard to read "raw" printouts from econometric software (e.g. see pages 62, 66.) - an issue which would have been relatively easy to correct during final editing before submission.

Specific questions you would like addressing at the oral defence (_at least 2 questions_):

1. Outline possible forms and channels of contagion effects and suggest which of them were relevant for the analyzed CEE stock markets

2. How important are stock markets for CEE countries - please compare this with the USA and with China.

3. Would you expect your results to be different if you had a chance to finish the analysis with daily data? If yes, how?

4. When did trading start on the Lithuanian stock exchange?