Report on Bachelor Thesis

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

Student:	**Jakub Láža**
Advisor:	**Jan Šíla**
Title of the thesis:	**How Does Bitcoin React to Economic Uncertainty Volatility Shocks?**

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

Short summary

The thesis aims to explore how uncertainty about price of Bitcoin is affected by economic uncertainty. Specifically, author looks at portion of future variation of Bitcoin prices explained by popular Economic Policy Uncertainty, VIX and Economic Queries Related Uncertainty indices and finds rather weak effect of economic uncertainty on bitcoin fluctuations.

Contribution

The thesis contributes to the literature studying behavior of Bitcoin market, as well as connection of real economy with Bitcoin. Author empirically documents periods where shocks from economic uncertainty were being transferred to Bitcoin, which is a novel finding, although based solely on time series properties.

Methods

Author uses advanced methods developed by Barunik and Ellington (2020) that are based on Bayesian estimation of time-varying parameter vector autoregression and construction of connectedness indices based on the variance decompositions. Author hence masters advanced time series techniques very well.

Literature

The text works with literature properly, discusses all relevant sources in sufficient detail.

Manuscript form

The text is written well, is logical, well motivated and explains the problem as well as methods in sufficient detail.

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Overall evaluation and suggested questions for the discussion during the defense

I believe that the thesis is a solid piece of work that brings new empirical insights into behavior of Bitcoin prices that are especially relevant for wider audience as they connect shocks to economic uncertainty with uncertainty in Bitcoin markets. Personally, I am sympathetic to such analysis and I believe it is well done, author masters techniques on advanced level that are appropriately used and also looks at potentially interesting question.

For the defense I would suggest author to focus on proper motivation of an economic mechanism that drives Bitcoin reaction to economic uncertainty. In addition, author can explain to what extend he believes we can rely on the results being mainly driven by time series. In other words, the results are solid, but still driven by the choice of economic uncertainty indices and rely solely on the data about these time series.

In conclusion, I believe that the thesis deserves to be defended without doubts. In case author is confident in presenting the details of the work during the defense, and mostly confident in the discussion and response to my questions, I suggest to award the work with grade “A”.
Finally, the results of the Urkund analysis do not indicate significant text similarity with any other available sources.

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

CATEGORY		**POINTS**
Contribution	*(max. 30 points)*	26
Methods	*(max. 30 points)*	30
Literature	*(max. 20 points)*	20
Manuscript Form	*(max. 20 points)*	20
TOTAL POINTS	*(max. 100 points)*	**96**
GRADE	**(A – B – C – D – E – F)**	**A**

NAME OF THE REFEREE: Jozef Barunik

DATE OF EVALUATION: 9.8.20222

Jozef Baruník Digitally signed by Jozef Baruník Date: 2022.08.09 17:33:02 +02'00'

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**