Report on Master Thesis

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

Student:	Radek Janhuba
Advisor:	Roman Horváth, Ph.D.
Title of the thesis:	The effect of exchange rate changes on stock market volatility in New Member states

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

The thesis presents empirical analysis regarding the stock market volatility in the new EU member states with respect to the exchange rate development.

Thesis is competently written, has logical structure with clearly stated hypothesis, refers to appropriate current literature, uses times-series analysis and demonstrates thereby author's skills to empirically use technical methods.

Although the technical character of the thesis and nicely written text should be appreciated, I have a few comments / questions about possible limitations, which may be also used as the defense questions.

The thesis focuses only on pure empirical analysis, some deeper explanation of possible links between stock/exchange market based on economic fundamentals is missing – there is only short explanation that currency appreciation may lead to exporters' competitiveness loss leading to stock market fall in the export-oriented economy – still, more place should be devoted the possible reasons of exchange rate impacts on stock market volatility, which would be empirically accepted/or rejected in the empirical part of the thesis

Chapter 3 brings only basic overview of models used for time series analysis based on the introductory textbooks. However, it must be appreciated that used models are not as the part of econometric lectures at the IES BC level. Also, the text was written clearly, the theory was well ale intuitively interpreted.

Sometimes author makes statement which should be referred to other studies, e.g. "The usual consensus is that the financial series are non-stationary in levels, but contain a unit root" on the page 31 or "It has been shown that leptokurtosis is widely present in financial time series" on page 33.

Author is also criticizing the study Ma & Kao (1990) because they used only monthly data, further on the page 30 is arguing that monthly frequency is too low – however, the proper frequency of data is not discussed – weekly frequency would be sufficient?

Problem of causality is rather important and should be discussed in more detail – short note in the conclusion is not enough. Also, I have missed any arguments for exogenous shocks which may influence both stock and exchange market.

Also, it may be limitation to do analysis only with respect to one currency – EURO – the results may differ for different currency / what about to use effective nominal exchange rate instead? /

Still, based on the overall quality of the submitted thesis, I recommend the thesis for the defense with evaluation **Excellent.**

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

CATEGORY		**POINTS**
Literature	*(max. 20 points)*	19
Methods	*(max. 30 points)*	23
Contribution	*(max. 30 points)*	25
Manuscript Form	*(max. 20 points)*	17
TOTAL POINTS	*(max. 100 points)*	**84**
GRADE	**(1 – 2 – 3 – 4)**	**1**

NAME OF THE REFEREE: PhDr. Jakub Seidler
DATE OF EVALUATION: August 17th, 2010

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong	*Average*	*Weak*
20	*10*	*0*

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.*

Strong	*Average*	*Weak*
30	*15*	*0*

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.*

Strong	*Average*	*Weak*
30	*15*	*0*

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.*

Strong	*Average*	*Weak*
20	*10*	*0*

Overall grading:

TOTAL POINTS	**GRADE**		
81 – 100	**1**	= excellent	= výborně
61 – 80	**2**	= good	= velmi dobře
41 – 60	**3**	= satisfactory	= dobře
0 – 40	**4**	= fail	= nedoporučuji k obhajobě