

Report on Bachelor / Master Thesis

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

Student:	Milan Hanousek
Advisor:	Vilém Semerák
Title of the thesis:	China's Equilibrium Exchange Rate

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

Mr Hanousek has opted for a topic with seemingly self-evident results, the modeling of equilibrium exchange rate of Chinese RMB. While many consultants and analysts take it for granted that Chinese currency is undervalued, Mr Hanousek decided to evaluate various concepts of equilibrium (real) exchange rates and subsequently applied a concept based on the Fundamental Equilibrium Exchange Rate (FEER) on Chinese data.

The presented paper has a standard and logical structure: (i) introduction, (ii) description of the exchange rate regime of the PRC, (iii) theoretical part with the description and comparison of various concepts of equilibrium exchange rates, (iv) own estimation of a model based on the FEER concept, and finally (v) conclusion.

I consider Mr Hanousek's work as exceptional in comparison with typical bachelor theses. He only only attempted to use econometric methods which exceed the portfolio of methods typically expected from undergraduate students, but presents results (in both the descriptive part, as well as in his own estimation of the equilibrium exchange rate) which can fully compete with results presented by trained professionals working for top consultancy companies. He also clearly identifies and demonstrates many problems of the concepts as well as of its application on the very specific Chinese data. Even his conclusion about probable return of Chinese RMB to a relatively equilibrium level at the end of the observed sample is believable and in line with other research work.

In short, Mr Hanousek's work meets very high standards and I cannot propose a different grade than 1 (excellent).

Proposed question for the defense:

1. Explain the differences between FEER, DEER and BEER.

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	20
<i>Methods</i> (max. 30 points)	30
<i>Contribution</i> (max. 30 points)	30
<i>Manuscript Form</i> (max. 20 points)	20
TOTAL POINTS (max. 100 points)	100
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: **Vilém Semerák**

DATE OF EVALUATION: **June 8th, 2012**

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