

# Report on Bachelor Thesis

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

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<b>Title of the thesis:</b>	Risk appetite estimation on financial markets

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

The thesis discusses the estimation of the risk appetite on financial markets, with a considerable part focusing on describing the main findings in the related literature and introducing some theoretical concepts related to risk aversion and risk appetite.

The introduction, as it stands, does not provide the reader with a clear research question and why the researched question is important. Therefore, the introduction is not compelling enough for a reader to follow through. Some motivational aspects are treated rather well in the Chapter 2, however, when moving to the discussion of the main concepts the author does not provide a formal definition of these concepts.

Chapter 3 is a survey of the main methods used for measuring risk appetite, their application and the main outcomes that can be found in the relevant stream of literature. I found the chapter rather informative, however a more critical approach to reviewing these methods would've made it even better.

The thrust of Chapter 4 is a principal component analysis on a sample of 28 countries. The approach is definitely legitimate but much of the description of the methods remains unexplained. For me the choice of the set of the variables used for PCA was still confusing, even after three readings. A more detailed description of the methodology should be done for a better understanding of the outcomes. Second, after computing the principal components, author might want to give some relevant, economically meaningful, names to the first and second PCAs.

On the regressions used for the analysis and the conclusions, it is rather hard to comment simply because of a lack of relevant post estimation statistics and tests. The author does not provide any robustness checks, which is critical for the confirmation of the tested hypotheses. Therefore, I would not venture into qualifying the regressions in any way and would take the outcomes as pure correlation analysis. Even the last, Granger causality, step is subject to the same objection as above. I would therefore, reaffirm, my cautiousness related to the interpretation of the results and to the main conclusions of the thesis.

Finally I would like to strongly recommend, for future consideration, to the author to re-read the work before submitting in order to eliminate any grammar mistakes and typos. Moreover, as a general rule, the passive voice should be avoided in theses as much as possible as it slows down the reading and makes the sentences longer, without achieving anything else in turn.

Overall, I believe that the choice of the subject was rather ambitious and challenging and in the case of successful defense, I recommend "**velmi dobře**" (good, 2) for the evaluation.

## **SUMMARY OF POINTS AWARDED:**

<b>CATEGORY</b>		<b>POINTS</b>
<i>Literature</i>	<i>(max. 20 points)</i>	18
<i>Methods</i>	<i>(max. 30 points)</i>	15
<i>Contribution</i>	<i>(max. 30 points)</i>	22
<i>Manuscript Form</i>	<i>(max. 20 points)</i>	15
<b>TOTAL POINTS</b>	<i>(max. 100 points)</i>	<b>70</b>
<b>GRADE</b>	<b>(1 – 2 – 3 – 4)</b>	<b>2</b>

**REFEREE'S NAME:** Adrian Babin

**DATE:** 06 June 2013

  
**REFEREE'S SIGNATURE**