

Report on Bachelor / Master Thesis

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

Student:	Bc. Ferit Ucar
Advisor:	PhDr. Pavel Vacek, Ph.D.
Title of the thesis:	Central Bank Interventions and Their Influences on Exchange Rates: The Case of Turkey

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

The main objective of the thesis is to study the efficiency of official interventions implemented by the Central Bank of the Republic of Turkey. The thesis brings new policy-relevant results. The author concludes that only the amount of sales of US dollars has an impact on the exchange rates.

I appreciate that:

- The thesis is nicely motivated and brings useful results.
- The author uses correct (standard) methodology based on the GARCH family of models. Specifically, he employs the E-GARCH model.
- The author shows that he has good knowledge of the existing literature dealing with FX interventions. The literature review and sources used/cited are robust and extensive.
- The thesis nicely and briefly summarizes the development of Turkish economy.

On the other hand, there are a few points that should be improved:

- On page 5 – the Balance Sheet of the Central Bank – there is a mistake. During the defence Ferit should say where the mistake is and he should explain the basic logic of balance sheet of the CB. It is surprising that there is this mistake given that it should be a simple copy of the balance sheet from the article of Sarno and Taylor (2001). However, I checked the original article that Ferit references and these authors have it correct.
- I would not include models of FX determination. Is it really necessary to present them on pages 10 to 13? It is a short superficial description. I would just delete it.
- The hypotheses tested should be more clearly described and presented. They are „drowned in the text“ although they are the most important part of the thesis.
- Starting on page 45, several models are presented. However, not before page 47 one learns how variables are actually defined and what the abbreviations in the regression models mean.
- Some sentences does not make any sense to me. E.g. on page 48 the author writes: „First, we use the standardized variables in our regression models because the amounts of interventions and auctions were large numbers in US dollar while daily exchange rates of USD/TRY which also defined in terms of TRY.“

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Recommendation:

I would recommend Ferit to make a journal-type of paper out of his thesis. Delete unnecessary text, compare yourself with the existing literature on Turkish interventions and present your new results, your value added.

I think Ferit worked hard to write this thesis and I consider it to be a decent piece of work. Ferit posed standard research question, used standard methodology in this field and brings new results. Therefore, I recommend a grade of 1 (A).

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	18
<i>Methods</i> (max. 30 points)	25
<i>Contribution</i> (max. 30 points)	25
<i>Manuscript Form</i> (max. 20 points)	18

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TOTAL POINTS	<i>(max. 100 points)</i>	86
GRADE	<i>(1 – 2 – 3 – 4)</i>	1

NAME OF THE REFEREE: PhDr. Pavel Vacek, Ph.D.

DATE OF EVALUATION: 22 January 2014

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