

Report on Master Thesis

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

Student:	Diana Burdová
Advisor:	Jozef Baruník
Title of the thesis:	Modeling Conditional Quantiles of Central European Stock Market Returns

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

The thesis is an interesting empirical work studying conditional quantiles of the Central European stock market returns. While this is the first application of the CAViaR framework to the CEE data, and this thesis moreover focuses on comparing CAViaR to other common methods, the results bring important implications for local investors. Proper quantification of risk is still an open problem in the literature, and while most of the industry uses simple Value-at-Risk measures based on restrictive distributional assumptions, there are rare attempts to abandon this approach. In this thesis, Diana uses one of the important frameworks (CAViaR), which allows to model conditional Value-at-risk (quantile) directly without distributional assumptions, and applies it to Central European stock market returns. Moreover, she studies the accuracy of the VaR forecasts before and during the current economic crisis. Hence Diana's work is a solid empirical study of an important economic problem.

The thesis is well structured, it is nicely written, provides a good guidance of the current state of the art. During the past year, Diana used my consultancy services on a very regular (as well as frequent) basis, and we have discussed many methodological as well as empirical issues together with few revisions of the text itself, thus I have no questions to the defence.

In conclusion, I believe that the thesis is a very solid piece of work in all aspects. Diana shown strong quantitative skills while working with computationally demanding methodology, but finally did not forget that she only uses the methodology for studying an important economic problem – proper understanding of conditional Value-at-Risk. Thus I fully recommend the thesis of Diana Burdova to be defended with grade excellent – 1. While this thesis brings an original empirical results, which are possibly important to local investors (no doubt that the text could be published in a journal publishing empirical research focusing on CEE markets), the work is rigorous in all aspects, I also believe that it deserves a consideration for the “distinction for an extraordinarily good master's diploma thesis” award.

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

CATEGORY	POINTS
Literature (max. 20 points)	20
Methods (max. 30 points)	30
Contribution (max. 30 points)	30
Manuscript Form (max. 20 points)	17
TOTAL POINTS (max. 100 points)	97
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Jozef Baruník

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Referee Signature