

# Report on Master Thesis

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

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<b>Title of the thesis:</b>	<b>Chinese Stock Market: Underperformance and its Determinants</b>

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

China has experienced decades of rapid economic growth and has become the largest economy in the world (IMF 2014). However, there is substantial evidence that the Chinese stock market does not reflect the economic growth accordingly. This thesis re-examines this interesting phenomenon: Underperformance of Chinese stocks.

Literature review and Overview of Chinese market stock provide with sufficient amount of background information. Main contribution of the thesis is the analytical part. Fixed effect model and Bayesian Model Averaging (BMA) method were chosen to test the hypotheses: to determine the persistence of underperformance and its determinants. To test the hypotheses as a proxy for the stock market uses the Chinese major stock indices. To select the proper model for panel data analysis, author addresses the problem of heterogeneity. As a selection criterion method between the models the Hausman specification test was used. Description of methodology and interpretation of the findings were done thoroughly. Both, Introduction and Conclusion, are short and clear.

Comments:

- 1) Selection of individual companies (as was planned in the proposal) would add value to the thesis, because we could see if there is size or industry effect among Chinese stocks.
- 2) Discussion about some other possible determinants of underperformance – like institutional and behavioral factors could increase the contribution of the paper.

Suggested topic for discussion for the defense is:

„How will the Chinese stock market behave in the future? Is it likely that the underperformance disappear (increase in stock prices) as Chinese companies become more open to foreign investors? Or perhaps, is the problem deeper (institutional or behavioral) factors and underperformance is likely to persist for many years to come?“

In case of successful defense, I recommend „výborně“ (excellent, 1)

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

<b>CATEGORY</b>	<b>POINTS</b>
Literature (max. 20 points)	17
Methods (max. 30 points)	28
Contribution (max. 30 points)	25
Manuscript Form (max. 20 points)	17
<b>TOTAL POINTS</b> (max. 100 points)	<b>87</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE: PhDr. Karel Bába**

**DATE OF EVALUATION: 21.5.2015**

**Referee Signature**