

Institut ekonomických studií

Fakulta sociálních věd, Karlova universita Praha

Referee report on the Master Thesis

Student Name:	Martin Zachar
Thesis Supervisor Name:	Ondřej Schneider
Thesis Title:	Cross Border Effects of Sovereign Rating Changes on Bond Yields before and During the Eurozone Crisis

Overall Evaluation:

The master thesis submitted by *Martin Zachar* deals with a technical analysis of government bond yields and their reaction to changes in ratings of other countries. In his thesis, Martin has demonstrated good technical and analytical skills. He has covered relevant literature and has been able to come up with his own estimates that he interpreted imaginatively. His thesis occasionally suffers from repetitions and his English leaves something to be desired (but does not impede his message). Therefore, I recommend the thesis for the defense and suggest grade B, i.e. **good**. The first chapter provides a coherent and intelligent overview of the existing (extensive) literature. Chapter 2 deals with market efficiency hypotheses and formulates three testable hypotheses that Martin sets out to test in the rest of his thesis. The third chapter provides a brief description of methodology, data and potential issues. Wording is sometimes awkward, as when Martin stipulates that *"In all our subsequent analysis, we will not consider effects of events on the event country's yields, as we hope to focus solely on transmission dynamic."* he stipulates that he is interested in cross-country effects only.

The main thesis contribution comes in the Chapter 4, where Martin discusses his estimates in detail and compares them with the literature. As a general rule, his pre-crisis estimates come up consistent with previous papers (which is good), but the results incorporating crisis data from 2009 on yield some surprising results. Namely, downgrading of a country A seems to decrease yields for other countries. We have discussed these results in detail with Martin and I share his interpretation on pages 43 and 44 that a downgrade was seen as a better outcome than an imminent default and it was able at least temporarily to lift bond prices.

This result is extensively discussed in the closing section 5. While Martin presents his case well, his hypothesis is only a hypothesis and I would welcome discussion from other members of the commission.

I recommend the thesis for the state exam defense and I would recommend grade "2" for the final exam grade.

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SUMMARY OF POINTS AWARDED:

CATEGORY	POINTS
Literature (0-20)	18
Methods (0-30)	21
Contribution (0-30)	21
Manuscript Form (0-20)	15
TOTAL POINTS (0-100)	75
GRADE	2

(Signature)

Ondřej Schneider



Evaluated on: 25 August 2014