

REPORT ON THE MASTER THESIS

IEPS – International Economic and Political Studies, Faculty of Social Sciences, Charles University

Title of the thesis:	Efficient market hypothesis in the modern era
Author of the thesis:	Šimon Vlček LL.B.
Referee (incl. titles):	doc. PhDr. Ladislav Křišotufek, Ph.D.

Remark: It is a standard at the FSV UK that the Referee's Report is at least 500 words long. In case you will assess the thesis as "non-defendable", please explain the concrete reasons for that in detail.

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

CATEGORY	POINTS
<i>Theoretical background (max. 20)</i>	18
<i>Contribution (max. 20)</i>	5
<i>Methods (max. 20)</i>	5
<i>Literature (max. 20)</i>	19
<i>Manuscript form (max. 20)</i>	18
TOTAL POINTS (max. 100)	65
The proposed grade (1-2-3-4)	2

You can even use a decimal point (e.g. giving the grade of 2.5 for 60 points).

Comments of the referee on the thesis highlights and shortcomings (following the 5 numbered aspects of your assessment indicated below).

1) Theoretical background: The thesis discusses the efficient market hypothesis (EMH) which has long been a cornerstone of the financial economics. The focus is put on the keyword of EMH – information. The proposed hypothesis is that an increased complexity of information, which had not been at hand during the EMH forming in 1960s and before, goes against market efficiency. This is a nice hypothesis but, I'm afraid, it is not truly reflected in the text. And this is for several reasons. First, there is no actual measure of the market efficiency presented in the text. Variance, which is used in the text, does not really have much to do with efficiency itself. Second, there is no notion of complexity mentioned in the text. Volume is not a measure of complexity. And third, the hypothesis stated in Eq. 5.2 is not theoretically solid. Why is there no intercept? What about long-term memory of variance? I believe these problems could have been avoided had the thesis been discussed more with the supervisor, i.e. the author of this report.

2) Contribution: As an outcome of the issues mentioned in the previous point, the contribution of the thesis is weak. The selection of stocks is arbitrary, the hypothesis is questionable and so is the testing procedure.

3) Methods: Again going back to the issues raised in Section 1), the utilized methods are not sufficient.

4) Literature: Literature review forms the strongest (and the longest) part of the thesis. A lot is covered there, probably at the cost of (or to hide) the lacking empirical part.

5) Manuscript form: Manuscript form is fine. There are several typos here and there, unfortunately also in the abstract.

DATE OF EVALUATION:

Referee Signature