

Report on Bachelor / Master Thesis

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

Student:	Bc. Emir Hečimović
Advisor:	Petr Polák, MSc.
Title of the thesis:	Modeling and Forecasting Volatility: Evidence from Bosnia and Herzegovina

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

The thesis investigates stock market volatility in Bosnia and Herzegovina and compares it to European stock markets, mainly to those in former Yugoslavia. For the analysis widely used GARCH model is employed with findings that Bosnia and Herzegovina stock markets display moderate to low levels of synchronization with regional and European stock markets. BIRS was found to be least volatile.

Literature

Student uses relevant, high quality and recent data sources, including literature covering stock exchange markets in Montenegro, Macedonia, Slovenia, Croatia etc. Author also takes advantage of using local sources in non-english language like Lartković (2000).

Methods

Student analyses time series, for which he uses both proper ARIMA and GARCH models. Dataset is well described also including charts for better imagination. Clear theoretical background is presented followed by a detailed description and interpretation of results. Every step of the applied methodology is explained.

Contribution

There is lack of academic research about volatility in Bosnia and Herzegovina, probably because they are not in the center of attraction. Using data for these relatively new markets provides opportunity to fill the gap and author managed to do so.

Manuscript Form

The thesis is well written, it is easy to follow author's thoughts and everything is explained thoroughly. Reader can easily orient in the structure of the thesis. There are minor formatting details – it might be useful to round all number to e.g. 3 decimal places, number formulas for referencing, check that there are all numbers in tables are aligned, check for typographic details (like page 43 where there is a minus sign is at the end of the line), some ACF or PACF charts could be in the text, since author uses them for description. On page 45 there is reference missing (error from MS Word referencing to appendix).

Questions for the defence:

- Based on the empirical evidence, what would be your advice to an investing with interest to invest in the former Yugoslavia region?
- Following Horvath and Petrovski (2013) claim stated on page 10, do you think that financial reforms have advanced since then?
- Having data since 2006, what can you tell about the effect of the financial crisis (if any)?

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Overall, I would suggest that the after shortening, selecting the most interesting results and polishing the manuscript, the thesis should be send for publication.

I recommend the thesis for defence and for reasons stated above I suggest grade A.

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

CATEGORY	POINTS
Literature (max. 20 points)	20
Methods (max. 30 points)	28
Contribution (max. 30 points)	30
Manuscript Form (max. 20 points)	17
TOTAL POINTS (max. 100 points)	95
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Petr Polák

DATE OF EVALUATION: 13. 6. 2016



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