

## **Abstract**

This thesis analyses impact of exchange rate exposure in Czech Republic on sample of ten Czech companies. Empirical part of thesis builds on Nazl, Kar, Akel (2014) and through market-based approach states significant impact of exchange rate exposure for 40 % of companies. Higher robustness of results was achieved through improvements in the methodology which, contrary to related literature, eliminates endogeneity of market index through instrumental variable. Surprisingly, the correlations between exchange rates and stocks of Czech companies are positive. An alternative model considering ROA of individual companies as dependent variable was used to confirm these results. The resulting impact of exchange rate exposure of alternative model is opposite. This inconsistency of the results of both models is confusing.

The sudden change in exchange rate policy of the Czech National Bank in November 2013 did not affect the sensitivity of the relationship between exchange rates and stocks. The reaction of stock market in November 2013 indicates that policy change made by CNB was not entirely expected. Contrary to the related literature, higher data aggregation decreases the significance of the exchange rate exposure, signifying higher ability of Czech companies to reduce exchange rate risk in longer horizons.

**JEL Classification**

F3, F31, G12, G18, G32

**Keywords**

Exchange rates, Exchange rate exposure, ROA, Valuation of Company, Czech Republic, Czech National Bank, Czech crown, instrumental variable, Euro, Nominal Effective Exchange Rate.