Report on Bachelor / Master Thesis

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

Student:	**Daria Filippova**
Advisor:	**prof. Ing. Evžen Kočenda, Ph.D.**
Title of the thesis:	**Effect of foreign exchange interventions on volatility of dollar/yen exchange rate**

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

Please provide your assessment of each of the following four categories. The minimum length of the report is 300 words.

Contribution
The diploma thesis is part of the voluminous theoretical and empirical research, which deals with the effectiveness of foreign exchange interventions. One can welcome that the author seeks to contribute to this debate not in an abstract way but with an evidence for the Japanese economy. The thesis conclusions may then be confronted with the work of many other authors, as the USD/YEN exchange rate pair belongs among those most heavily traded.
Unfortunately, the thesis approaches the issue of foreign exchange interventions in a rather mechanical way. The Japanese economy has come to the forefront of research interest in a number of different occasions. It was known by extremely high trade surpluses, by a mortgage bubble, by an episode of prolonged deflation, or by a pioneering approach to quantitative easing. In some cases, the trigger for interventions came from the Japanese economy itself, in other cases, especially during coordinated interventions of a larger number of central banks, the problems rather stemmed from the US economy. The weak point of this thesis is that the Japanese intervention episodes are not included in a specific economic policy context, without which it is difficult to draw conclusions about the effectiveness of this monetary policy instrument. Instead, the author analyses intervention episodes purely from the point of view of intervention techniques, being either appreciating or depreciating, small or big, coordinated or single. Without knowledge of the economic background story, however, it is difficult for the reader not to be lost in the obtained results. Conclusions are stuffed with many absolute numbers that make it difficult to draw some kept-in-mind lessons.

Methods
First of all, one can ask why the title of the thesis indicates the focus on exchange rate volatility when consideration is also given to the study of the impact on maintaining the level of the exchange rate. The main contribution is seen in the application of the advanced GARCH-in-mean econometric technique, but the reader is not briefed in a greater detail what the benefits and insights this technique offers compared to other models. In conclusion chapter it is a little bit disturbing how the author jumps between the economic reasoning and the model reasoning. On the other hand, there is undeniable erudition and knowledge of advanced econometric techniques, the results of which the author tries to interpret in a correct manner.

Literature
An overview of the literature is presented in a clear way. It demonstrates the author’s interest in the topic. It is, however, fragmented into two parts, namely in the initial review of the literature and in the discussion of the results.

Manuscript form
The manuscript reflects the author's careful approach to the diploma thesis. English is understandable and demonstrates the author's ability to express ideas correctly.

Report on Bachelor / Master Thesis

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

Student:	**Daria Filippova**
Advisor:	**prof. Ing. Evžen Kočenda, Ph.D.**
Title of the thesis:	**Effect of foreign exchange interventions on volatility of dollar/yen exchange rate**

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

CATEGORY		**POINTS**
Contribution	*(max. 30 points)*	**15**
Methods	*(max. 30 points)*	**20**
Literature	*(max. 20 points)*	**15**
Manuscript Form	*(max. 20 points)*	**20**
TOTAL POINTS	*(max. 100 points)*	**70**
GRADE	**(1 – 2 – 3 – 4)**	**2**

NAME OF THE REFEREE: prof. Ing. Oldřich Dědek, CSc.

DATE OF EVALUATION: 9 June 2017

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