Report on Bachelor / Master Thesis

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

Student:	**Miloš Prágr**
Advisor:	**Ing. Michala Moravcová**
Title of the thesis:	**Impact of Macroeconomic News on Financial Markets: Sector-based Analysis**

***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

This work investigates the impact of US macroeconomic news ananouncements on the 5 US sector stock indices using GARCH and EGARCH models in terms of volatility and price changes.The main contribution of this work is that it provides sector-level analysis. Most of the works have studied the impact of macroeconomic news on overall stocks indices, but only a few of them have focused on individual sectors so far. Despite the intereseting topic, I could see some drowbacks in the thesis:

- Author examines the impact of wide range of macroeconomic announcements on stock indices. Examined macroeconomic news are described on 8 pages. Chapter 3.2.1. and 3.2.2. are just continuation of literature survey. Section 3.2.5 which describes sources of macroenomomic data could be easily incorporated in section 3.2.4, which describes macroeconomic variables. Overall, thesis contains excessive amount of information, which could be easily omitted.
- There is probably mistake in the Chaper 3.24, which describes macroeconomic variables related to employment. Author talks about Fisher curve, isntead of Philips curve.
- In Chapetr 4.2.5. – Framework Overview - author discuss issuues related to GARCH model assymetry, which was already done in section 4.2.4. dealing with EGARCH model. So Chapetr 4.2.5. could be eliminated. It is just theoretical text, which could be easily find in any econometrics book.
- Tables 5.2. and 5.3. nicely put together all the results. However I am missing some economic interpretation of the final results and explanation what might be behind the results.

Methods

Author implemented typical time series models to investigate the relationship between macroeconomic news announcements and US sector-based stock indices (Andersenet al.,2003 amongst others). This method is not the subject of the study at the bachelor level. It is studied at the master level at this Institute (IES). Therefore, student carried out above standard econometric research.

Literature

The author gives an exhaustive list of studies dealing with the impact of macroeconomic news on the financial market. I would appreciate better comparison of the results with results of other studies. The list of references at the end of the thesis is not using same labeling. Literature is not cited correctly, please see introduction.

Manuscript form

The thesis could have been better written. For example, the abstract provides little motivation and lacks the summary of particular results. Some arguments could have been more concise. The construction of the sentences is sometimes difficult to understand. Consider the abstract „The index

Report on Bachelor / Master Thesis

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

Student:	Miloš Prágr
Advisor:	Ing. Michala Moravcová
Title of the thesis:	Impact of Macroeconomic News on Financial Markets: Sector-based Analysis

volatility appears significantly responsive and we observe some patterns in the response." The footnotes are not marked correctly.

Overall, it is nice thesis with explicit value added, but the text should have been more polish, shorter, arguments and sentences could have been more precise. Therefore, I recommend the grade „velmi dobře" (2).

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	25
Methods	*(max. 30 points)*	25
Literature	*(max. 20 points)*	15
Manuscript Form	*(max. 20 points)*	5
TOTAL POINTS	(max. 100 points)	70
GRADE	(1 – 2 – 3 – 4)	2

NAME OF THE REFEREE: (ADVISOR) Ing. MICHALA MORAVCOVÁ

DATE OF EVALUATION:

6. 9. 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