Report on Master Thesis

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

Student:	MSc. Lenka Röhryová
Advisor:	doc. PhDr. Ing. Petr Jakubík Ph.D.
Title of the thesis:	Extending volatility models with market sentiment indicators

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

Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

Contribution
The current low market volatility contrasting with increased uncertainty might signal a potential risk premia reassessment. Such a market correction would have a negative implications on financial stability via increase losses and decreased capital of financial sectors. In this respect the topic is highly relevant contributing to the current discussions and concerns of researchers and policy makers.
The thesis brings some insight into the utilisation of publicly available data to model market volatility. In particular, the author extended the HAR model using Google search and Twitter data. While the study shows that in the first case public information can improve a predictive power of econometric models, it is more problematic in the second case given a lot of unrelated noise.

Methods
The author applies a standard methodology to extensive empirical analysis. It is well performed meeting requirements to diploma thesis at the IES.

Literature
The literature related to the methods applied is well covered. However, the thesis would further benefit from some policy discussion to clearly link the undertaken research with the current practical debates and related policy relevant papers.

Manuscript form
The thesis is well written and structured. I have no any issue to be highlited.

Summary and suggested questions for the discussion during the defense

Overall, the thesis is well done dealing with the topic that is relevant for the current policy debates. It contributes to the literature using analysis that has not been performed yet. The author demonstrates her ability to conduct a very demanding empirical analysis with different model specifications that is linked to an economic theory.

It would be further interesting to extend the utilised time series to more recent figures and show how the proposed framework could contribute to the current discussion on the potential market price correction. The thesis would benefit from some policy discussion to clearly link the undertaken research with the current practical debates and related literature.

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

CATEGORY	POINTS
Contribution *(max. 30 points)*	24
Methods *(max. 30 points)*	27
Literature *(max. 20 points)*	15
Manuscript Form *(max. 20 points)*	19
TOTAL POINTS *(max. 100 points)*	**85**
GRADE **(A – B – C – D – E – F)**	**B**

NAME OF THE REFEREE: doc. PhDr. Ing et. Ing. Petr Jakubík, Ph.D., Ph.D.

DATE OF EVALUATION: 27.01.2018

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Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

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*

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*

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*

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	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F