

Report on Bachelor / Master Thesis

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

Student:	Josef Záhlava
Advisor:	Petr Gapko
Title of the thesis:	Sovereign credit risk drivers in a spatial perspective

OVERALL ASSESSMENT:

The author examined the relationship between macroeconomic environment and sovereign credit risk. The sovereign credit risk was, in the thesis, measured by CDS spreads. The author used advanced econometric techniques, created a spatial panel regression model and found out significant relations between a set of macroeconomic variables and sovereign credit risk. In my opinion, the thesis is well structured and nicely written. The author managed to prove that he is fully capable of writing an academic text in English and chose an interesting research thesis.

Contribution

The author's contribution lies mainly in joining advanced econometric techniques and empirically estimating relations between macroeconomic variables and sovereign credit risk for a set of countries. The contribution is well identified in the Introduction and the Conclusion of the thesis and, in my view, fulfills requirements for a high-quality master's thesis. The author compares his own findings with other researchers who employed similar methodologies. As the theme was examined in many research thesis, the author's contribution is original, but not revolutionary.

Methods

The author demonstrated his ability to use advanced econometric techniques, which are common among researchers but are beyond the syllabus of usual master studies of economics. Additionally, the author selected the thesis methodology very carefully and discussed the approach as well as the results with multiple senior and junior researchers. The author obviously put a lot of effort into correct estimation and selection of the final model, which I highly appreciate. Moreover, the author coded the whole methodology by himself and added all tests requested by his supervisor.

Literature

The literature overview is up-to-date and considerably wide. This is usual for master's thesis. The author cited all references with a significant care and, despite the length of the literature overview section, the author showed that he is fully capable of using academic sources. The author's research subject covers unfortunately a very wide area, which results in an overlap of macroeconomics, financial markets studies, quantitative finance and credit risk measurement. The current research in this field is very rich but heterogeneous, which makes it difficult to focus on a few research papers. Despite this, the author could have tried to narrow down a bit the number of key references and dedicate more space to comparison his methodology and results to only one or two most relevant sources.

Manuscript form

As depicted, the thesis is well written, readable and structured. The author swiftly and flexibly reacted to all my comments to the thesis structure, presentation form and results discussion and therefore I don't have any further comments to the manuscript form.

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Summary and suggested questions for the discussion during the defense

To summarize, the author proved himself to be capable of writing an academic text, bring original contribution and clearly describe his results. The thesis itself answers majority of the research questions, however, I recommend the author to focus during the defense on the following topics/questions:

- The choice of the examined sovereigns
- The choice of the structural brake between the two sub-models (does the Greek sovereign crisis / quasi-default depict a structural brake?)
- Explain in detail data handling – i.e. what the author did to get the same frequency of all datasets (quarterly values of macroeconomic indicators vs. intraday observations of CDS spreads)

Overall, I find the thesis very refreshing and a clear proof of the author's skills. In my opinion, the author did a very good job, and, among other master's thesis, I evaluate it as being above average. Thus, I recommend the thesis for a defense with a grading B.

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	23
<i>Methods</i> (max. 30 points)	25
<i>Literature</i> (max. 20 points)	17
<i>Manuscript Form</i> (max. 20 points)	20
TOTAL POINTS (max. 100 points)	85
GRADE (A – B – C – D – E – F)	B

NAME OF THE REFEREE: Petr Gapko

DATE OF EVALUATION: January 24th, 2018

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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
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