Report on Master Thesis

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

Student:	**Osaid Hashmi**
Advisor:	**Prof. Ing. Evžen Kočenda, Ph.D.**
Title of the thesis:	Conventional vs. Shariah stock indices: Volatility, Financial Contagion, Interest Rate Risk and Gold as Safe Haven

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 aim of this thesis is to show whether there is any potential to built a portfolio more resilient to economic shocks when composed from Shariah-compatible assets solely. The problem is investigated using a wide range GARCH models, from the traditional GARCH models to the DCC-GARCH model. These models are pretty standard and used in the context of modelling of the stock market volatility rather frequently. The contribution is somewhat hard to assess since it is not explicitly formulated in the introduction, and, personally, I'm not an expert in the field. Let me assume that there is relatively large and growing literature on Islamic banking and Islamic stocks, that someone has investigated the problem already, and there are some missing features and there is a need to replicate at least some of the results on a recent dataset.

Methods

The methods in this thesis are fairly standard and I haven't spotted any apparent mistake in their application. Rather, it's not clear why the sample from 2008 onwards has been chosen and not any longer dataset with more observations.
To me, the results from the first part are somewhat non-convincing. The difference between volatilities is very very low. I'd be happy to know if there is any possibility to obtain information whether this difference is statistically significant or not. This kind of information is very important for assessment of the policy implications that are being done in the paper.

Literature

Large amount of the recent literature is being surveyed. However, the literature review itself is somewhat lengthy, with too many paragraphs devoted just to a description of one paper, without apparent intent to provide somewhat more synthetic lesson to be learned. Also, the main literature isn't mentioned in the introduction, which does not really follow the convention in the academia. Anyway, it needs to be said that very large amount of literature has been considered.

Manuscript form

The form is pretty much OK with one exception. The thesis is very long, given the topic. I believe the thesis could have been much more accessible when its scale would have been limited to 35 – 40 pages. Right now it seems the literature review is too long, and the section describing the results could have been shortened as well.

Summary and suggested questions for the discussion during the defense

Overall, Osaid Hashmi delivered a decent piece of work, with a kind of interesting analysiis. During the defense, I recommend to focus on these questions:
1. What do you consider as the main contribution of your thesis?

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2. Why the sample is limited to a sample starting in 2008. Is it necessary to have such a short sample? Is it possible to provide credible policy implications from this analysis with such a small sample? Why yes, why not.
3. Is there any way how to verify whether the difference between the estimated volatilities is statistically significant or not?

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

CATEGORY		**POINTS**
Contribution	*(max. 30 points)*	*25*
Methods	*(max. 30 points)*	26
Literature	*(max. 20 points)*	*18*
Manuscript Form	*(max. 20 points)*	*19*
TOTAL POINTS	*(max. 100 points)*	**87**
GRADE	**(A – B – C – D – E – F)**	**B**

NAME OF THE REFEREE: ***Jaromír Baxa***

DATE OF EVALUATION: ***June 16, 2018***

Jaromír Baxa

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**