Report on Master Thesis

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

Student:	**Bc. Miriama Tóthová**
Advisor:	**doc. PhDr. Ing. Ing. Petr Jakubík Ph.D. Ph.D.**
Title of the thesis:	**Using Model Averaging Techniques to Examine Determinants of Stock Returns**

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
In the last decade, the role of stock markets in economies have increased with globalisation and financial integration. Furthermore, with the ongoing low yield environment, the interest of institutional investors in equities has further increased. In this respect, it is important to develop models to predict future stock returns to make correct investment decisions. The thesis contributes to the current literature by providing an alternative way to standard modelling techniques to assess key determinants of stock returns. Specifically, it takes into account model uncertainties employing two model averaging techniques. It further contributes by the identification of key variables that are able to explain future stock returns. Finally, the thesis compares the quality of predications based on the employed framework with the traditional methods.

Methods
The author incorporates uncertainties in the methodological approach by employing Bayesian model averaging (BMA) and frequentist model averaging (FMA). The results obtained are compared with traditional model selection techniques. In this respect, the author employs a popular technique nowadays that is an alternative for the traditional methods. The methodology is well described and all steps taken are well documented.

Literature
The author demonstrates ability to work extensively with the relevant literature that is well connected to the topic of the thesis.

Manuscript form
The thesis is well written and structured. I have no comments on manuscript.

Summary and suggested questions for the discussion during the defense

Overall, the thesis is well written, dealing with the topic that is relevant for investors, supervisors and policymakers alike. I have only a few comments/questions to be considered and addressed during the defence.

1) As a robustness check, it might be interesting to split the sample to investigate on the stability of results for pre- and post-crisis periods.
2) The overall market performance might be also driven by the composition of the market and different developments in advanced versus emerging or US versus European markets. Author could probably elaborate on geographical factors and their

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potential contributions to the monthly excess of return on the S&P 550 index. Similarly, some sectoral factors could be discussed, e.g. financial versus nonfinancial stocks.

3) During the defence, the author could discuss how the results obtained could help to anticipate the future development in the current situation of increased uncertainty related to the latest situation in emerging markets, political risks in Europe – e.g. situation in Italy or the ongoing Brexit negotiation. In this respect, it could be discussed how the results achieved could be beneficial for the risk assessment of the potential scenario of risk premia reassessment that is currently heavily discussed by policymakers.

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

CATEGORY		**POINTS**
Contribution	*(max. 30 points)*	26
Methods	*(max. 30 points)*	27
Literature	*(max. 20 points)*	19
Manuscript Form	*(max. 20 points)*	19
TOTAL POINTS	*(max. 100 points)*	**91**
GRADE	**(A – B – C – D – E – F)**	**A**

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

DATE OF EVALUATION: 12.09.2018

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.*

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**