Report on Bachelor Thesis

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

Student:	**Matěj Coufal**
Advisor:	**Prof.Ing.Michal Mejstřík, CSc.**
Title of the thesis:	**Significance of different financial ratios in predicting stock returns: NYSE – cross-industry analysis**

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

Matej Coufal decided to address the long-lasting research field with clear practical task: to investigate the power of not only three, the most popular variables, but rather seven variables to predict stock returns on the highly liquid Stock Exchange – NYSE - based upon panel data for number of industries. Further, he proposed a hypothesis of industry specific set of variables. And indeed, instead of testing significant relationship for different explanatory variables for heterogeneous industry groups, he disclosed significantly better forecasting features of certain explanatory variables with respect to specific industries. He had also shown on quite fresh data that the strength of the relationship between these regressors and expected stock returns increases with a longer investment horizon.

Methods
Author followed seven explanatory variables, six financial ratios and market cap: price to earnings ratio (P/E), dividend yield (DY), debt to equity ratio (D/E), book to market ratio (B/M), return on assets (ROA), return on equity (ROE) and market capitalization (MC). The company's data covered five industries (airlines, computers and software, financial services, food and beverages, energy) in the fresh period of February 2010 and February 2020, whereas three investment horizons were considered: three months, one year, three years. Given the limited sample he had used rather simple methods and could have commented more on hidden assumptions made.

Literature
The author had reconsidered both older and recent literature that were stepwise supplemented at the request of advisor.

Manuscript form
It is adequately structured and written in straightforward way.

Summary and suggested questions for the discussion during the defense
The only criticism might be raised with regards to the hidden methodological assumed assumptions. Which criteria were used for selection of industry followed. The most of other points were adopted during communications with the advisor.

The thesis can be accepted as the Bachelor thesis and in case of proper defence can be graded as B

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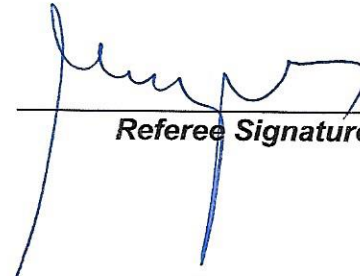
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SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY		POINTS
Contribution	*(max. 30 points)*	23
Methods	*(max. 30 points)*	21
Literature	*(max. 20 points)*	20
Manuscript Form	*(max. 20 points)*	19
TOTAL POINTS	*(max. 100 points)*	83
GRADE	**(A – B – C – D – E – F)**	B

NAME OF THE Advisor : Prof.Ing.Michal Mejstřík, CSc.

DATE OF EVALUATION: 23 May 2020

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Referee Signature