Report on **Bachelor Thesis**

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

Student:	Alžběta Mošnová
Advisor:	Petr Janský, M.Sc.
Title of the thesis:	Rating the Sovereigns: Does It Work?

OVERALL ASSESSMENT:

The recent economic and financial crisis exposed the rating agencies to a lot of media and popular interest. Their role in rating the sovereign countries, sovereigns, has been highlighted as the defaults of European countries became more likely and more discussed at financial markets and in policy circles. Obviously, the process and methodology by which the sovereign ratings are created and determined is of major importance. But how much has it been scrutinised by economists? Or, maybe more importantly, is it possible to study the sovereign ratings methodologies?

Alžběta Mošnová in her thesis provides enlightening answers to some of these questions from the economic and finance perspective, building upon such diverse sources as the academic work of Reinhart and Rogoff or methodological guides of the credit rating agencies.

I think that the biggest contribution of this thesis is in testing whether the sovereign ratings actually predict defaults. Do credit rating agencies and their sovereign ratings predict whether a sovereign will default? Mostly not is the answer of this thesis on the basis of a very careful analysis of empirical data from a number of sources, including the three biggest credit rating agencies, and on a number of countries for a number of years.

I am happy to report that the author has included most of my suggestions over the time of writing the thesis. One of the many options for future research in this area is to employ more advanced methods and statistically test her hypotheses using econometric methods – which would be especially relevant if the author decided to continue in this topic with her master thesis.

In my opinion, the thesis interesting questions and their detailed answering on the basis of detailed empirical analysis **deserve a grade 1**.

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

CATEGORY		POINTS
Literature	*(max. 20 points)*	18
Methods	*(max. 30 points)*	27
Contribution	*(max. 30 points)*	30
Manuscript Form	*(max. 20 points)*	20
TOTAL POINTS	*(max. 100 points)*	**95**
GRADE	**(1 – 2 – 3 – 4)**	**1**

NAME OF THE REFEREE: Petr Janský, M.Sc.
DATE OF EVALUATION: May 26, 2011

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Referee Signature

<u>*EXPLANATION OF CATEGORIES AND SCALE:*</u>

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*

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*

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*

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*

<u>*Overall grading:*</u>

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě