Report on Bachelor / Master Thesis

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

Student:	Marek Janča
Advisor:	PhDr. Ladislav Krištoufek
Title of the thesis:	A Growth Maximizing Contrarian Trading Strategy

OVERALL ASSESSMENT *(provided in English, Czech, or Slovak):*

In the presented bachelor thesis Marek Janča rigorously derives a contrarian trading strategy that maximizes the growth of wealth, applies Monte Carlo simulations to modify the strategy and correct some drawbacks, and checks the performance of the strategy on historical data. The presented work ranks among the best bachelor theses I have ever seen at the Institute of Economic Studies or elsewhere. It would be acceptable as master thesis at most European universities. Indeed, as one of the people responsible for the master thesis seminar I can say this bachelor thesis is better than the majority of master theses defended at the Institute: this holds in terms of analytical rigor, usefulness, structure, language, and form. I congratulate both the author and the supervisor for excellent work.

In the light of my assessment above, there is little imperfection to comment on. I have only a few suggestions for corrections or clarifications, some of which may be discussed during the thesis defense. For example, I am a bit confused by the definition of „d" on page 16. Should not that be multiplied by minus one to comply with „w" on the previous page? The author could also explain in more detail why he omits the intercept from the following regressions. Finally, the strategy is only designed for three stocks. The author explains this by the need to save computing power, but I believe including at least a few more stocks would be feasible. Checking the performance of the strategy on data for three stocks is not entirely convincing.

Minor comments:

1) I must say the thesis is typeset beautifully. This is how a diploma thesis should look like.
2) When you refer to decades, do not use the apostrophe. Refer to the 1980s, not to „1980's". That means nothing.
3) If you make a parenthetic remark, use an m-dash, not a hyphen. See the formatting hints in the LaTeX template you use.
4) You should compare your strategy to other strategies (like buy and hold) in the Conclusion, not just state the predicted yield.
5) On p. 3 you should use the \citet command to cite Roy (1952), not \citep.
6) Something is missing in the first sentence on p. 22 („the forecast conditional expected return").
7) The formatting of p. 23 is rather wild.
8) Typo on p. 24: „the approximation might fails."
9) You use passive voice too much.
10) I like the intuitive summaries at the beginning of each chapter or section.

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11) Last equation on p. 25: a comma is missing.
12) I would appreciate a list of symbols used in the thesis.
13) You do not use footnotes, which is great. Sometimes you should make less parenthetic remarks, though.
14) Some references are incomplete. Check Avellaneda, M. & J.-H. Lee (2008), Hansen, B. (2000), Lo, A. W. (2005), Thorp, E. O. (2003).
15) You should give your thesis a better title. I do not like the present one with four consecutive adjectives („growth maximizing contrarian trading"). At least put a hyphen there somewhere.

All in all, I recommend grade A for this thesis. If only one bachelor thesis was to get the Dean's distinction this year, I strongly believe this would be the one. The author should also try research competitions (like the Young Economist).

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

CATEGORY		POINTS
Literature	*(max. 20 points)*	19
Methods	*(max. 30 points)*	30
Contribution	*(max. 30 points)*	29
Manuscript Form	*(max. 20 points)*	18
TOTAL POINTS	*(max. 100 points)*	**96**
GRADE	**(1 – 2 – 3 – 4)**	**1**

NAME OF THE REFEREE: PhDr. Tomáš Havránek

DATE OF EVALUATION: 20.8.2011

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Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

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*

Overall grading:

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