

Report on Bachelor Thesis

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

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| Student: | David Brandejs |
| Advisor: | Martin Dózsa |
| Title of the thesis: | Efektivita predikčních trhů: případ Intrade |

OVERALL ASSESSMENT:

David Brandejs's bachelor thesis focuses on the recent phenomena of prediction markets, in particular on the most used and known one, Intrade. Since the area is covered only by a small amount of literature, I believe the topic is chosen well and therefore gave the author enough space to write a bachelor thesis with large contribution to the current knowledge. Unfortunately Intrade stopped to operate in the beginning of 2013, which is an unforeseen event that both decreases the relevance of the paper and made the research harder to finish.

The work concentrates on the market efficiency of (mainly) political prediction markets. Although weak-form efficiency, semi-strong-form efficiency and strong-form efficiency are all introduced, the prediction markets are tested only on weak-form efficiency due to inability to test the remaining two forms. As the work concludes, especially high-volume political markets tend to be efficient and therefore they could serve as a better prediction of political outcomes than publicly available opinion polls.

The author presents a good understanding of the literature, as the relevant chapter gives a wide overview of the existing research and shows the author's orientation in the area of interest. The weakest point of the work is the methodology used as in included only basic econometric tests on the collected data. More research could have been done on the data series, e.g. explanation of market inefficiencies, inter-market correlations, etc.

I regard the collected data as the highest value added of the work: David monitored and stored all the relevant markets for about half a year, therefore he was capable to have enough observations in the later part of his work. Given that Intrade is not operating anymore, the collected data are even more valuable. On the other hand the contribution is limited by the insufficient methodology and time spent on data analysis.

A weak point of the thesis is the manuscript form: the text contains typos, grammatical errors and inappropriate formatting as well. A significant shortfall of the thesis is its language used, notably the high amount of imprecise wording and even sentences with no clear sense.

In summary the thesis deserves good (2) evaluation.

SUMMARY OF POINTS AWARDED:

| CATEGORY | POINTS |
|---------------------------------------|-----------|
| Literature (max. 20 points) | 18 |
| Methods (max. 30 points) | 12 |
| Contribution (max. 30 points) | 20 |
| Manuscript Form (max. 20 points) | 13 |
| TOTAL POINTS (max. 100 points) | 63 |
| GRADE (1 – 2 – 3 – 4) | 2 |

NAME OF THE REFEREE: Martin Dózsa
DATE OF EVALUATION: September 2nd, 2013


Referee Signature