

Report on Bachelor / Master Thesis

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

Student:	Bc. Tomáš Havlíček
Advisor:	Doc. Roman Horváth, Ph.D.
Title of the thesis:	Credit rating agencies and their impact on the bond markets of EU countries

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

This thesis addresses the hot policy topic - the effect of sovereign credit ratings on the bond markets in the EU. More specifically, it investigates the effect on the government bond yields and credit default swaps. There are a number of approaches to this topic. Tomas does an excellent job and chooses those that seem to be the most suitable for his exercise. Tomas primarily investigates two following issues. Event analysis is used to examine the first issue, i.e. to what extent the bond markets react to the changes (as well as to the changes in the outlook) of sovereign credit ratings. Next, Tomas also examines the issue of contagion in a greater detail. He runs the regressions, where he regresses the changes in the government bond yields or CDS on the changes in the sovereign credit ratings and some control variables. Doing so, he is able to shed light on the issue to what extent the negative developments (as assessed by the downgrades of credit rating) in some countries such as Greece or Hungary affect other EU countries, which supposedly suffer from financial imbalances and fiscal problems much less (such as the Czech Republic).

Tomas has demonstrated that he is able to carry out a large empirical exercise independently. Econometrics is undertaken correctly. Literature review is nice, all important papers are cited and discussed. The thesis is an excellent example on how to shed light on some important policy issues using the quantitative framework.

All in all, I suggest grade A for Tomas and also suggest considering this thesis for the dean award.

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	18
<i>Methods</i> (max. 30 points)	27
<i>Contribution</i> (max. 30 points)	30
<i>Manuscript Form</i> (max. 20 points)	18
TOTAL POINTS (max. 100 points)	93
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Doc. Roman Horváth

DATE OF EVALUATION: January 16, 2013

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