

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Bc. Jean Lacroix</b>
<b>Advisor:</b>	<b>Mgr. Magdalena Patáková</b>
<b>Title of the thesis:</b>	<b>Terrorism and market risk assessment</b>

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

The aim the master thesis is to assess the effect of terrorist attacks on the measures of market risks. Using methodology of Rigobon and Sack (2005) and data about terrorist attacks between 1995 and 2007 the author estimates magnitude of effect of the information shock to financial variables. There are also estimates of spillover from one financial sector to another. Further, several standard risk measures such as VaR, Expected shortfall and Extreme value are calculated and serve as a comparison to the first part of the work. The main contribution is the application of Rigobon and Sack (2005) methodology on terrorist attacks data. The thesis provides a nice insight into an interesting topic, though I have some issues:

- There is quite extensive literature review, though I miss come introduction which would justify its structure.
- Manuscript form: Although the language used is comprehensible, the structure of the text is sometimes confusing and not easy to follow. Equations in the text are not numbered which causes some confusion for the reader (e.g. p.12: „From this equation...“). It is often the case that subscripts of variables throughout the equations are not properly described (e.g. the last equation on page 11) and equations are written with typos (p.15). Heading numbering style is strange ( hierarchical numbering 1, 1.2, 1.2.1 etc. would make the text more readable ) as well as some headings at the bottom of pages (pp. 6, 28, 35, 43).
- It is not clear from the descriptoin how the „largest period (over the indices used) of abnormal returns right after the attacks“ (p.12) is defined. In my understanding Chen and Siems (2004) use certain period of time and the variance-covariance matrix is estimated using daily data from these periods. Is it the same case here?
- It is not clear based on what key the attacks were selected. Why the author did not include e.g. the 2005 London metro bombings?
- According to Table 2 estimates of the effects after some attacks (particulary attacks 1, 5 and 7) were using only very small number of observations. Does it cause any problems?

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

CATEGORY	POINTS
Literature (max. 20 points)	17
Methods (max. 30 points)	24
Contribution (max. 30 points)	24
Manuscript Form (max. 20 points)	12
<b>TOTAL POINTS</b> (max. 100 points)	<b>77</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>2</b>

**NAME OF THE REFEREE:** Josef Brechler

**DATE OF EVALUATION:** 16.6.2015



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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	<b>1</b>	= excellent	= výborně
61 – 80	<b>2</b>	= good	= velmi dobře
41 – 60	<b>3</b>	= satisfactory	= dobře
0 – 40	<b>4</b>	= fail	= nedoporučuji k obhajobě