

Report on Master Thesis

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

Student:	Veronika Dovhunová
Advisor:	Jozef Baruník
Title of the thesis:	Volatility Spillovers and Response Asymmetry: Empirical Evidence from the CEE Stock Markets

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

This work is an original contribution to the literature studying transmission mechanisms in the CEE financial markets. The importance and novelty of the work is in studying response asymmetry in the transmission mechanism, with help of recently proposed asymmetric spillover measures by Baruník, Kocenda, and Vacha (2013). Author first documents how the volatility, as a risk measure, is being transmitted across the CEE markets. Second, author finds that the negative shocks creating 'bad' volatility tends to spill over across countries in larger extend than the 'good' volatility from positive shocks. This is an important finding, as it enriches the understanding of stock market participants' behavior. Literature recognizes different magnitude of reaction to negative and positive news, but does not study further if the reaction of the investors is also transmitted asymmetrically to other markets. The thesis is competitively executed application of modern techniques on the regional data, and brings an interesting economic findings about behavior of stock market participants, as it finds that negative shocks influence future volatility of the region in higher extend than a positive ones. Furthermore, author describes interesting dynamics of this asymmetric behavior.

The text is logical, well written, motivates the economic importance of findings and connects it well to the existing literature. Veronika worked consistently to obtain the results during the year, and we have discussed the results and text on a regular basis, hence I have no questions to the defense.

In conclusion, I believe that the thesis is sound and rigorous analysis contributing to the literature studying transmission mechanisms in the financial markets with interesting economic findings about behavior of stock market participants. Thus I fully recommend the thesis of Veronika Dovhunová to be defended with grade excellent. Due to the high originality and contribution of the results, I also believe the thesis deserves a consideration for the "distinction for an extraordinarily good master's diploma thesis" award.

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	20
<i>Methods</i> (max. 30 points)	30
<i>Contribution</i> (max. 30 points)	30
<i>Manuscript Form</i> (max. 20 points)	18
TOTAL POINTS (max. 100 points)	98
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Jozef Baruník

DATE OF EVALUATION: 28.5.2014

Referee Signature