

# Report on Bachelor Thesis

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

<b>Student:</b>	<b>Marek Vařeka</b>
<b>Advisor:</b>	<b>doc. PhDr. Ladislav Křišťoufek, Ph.D.</b>
<b>Title of the thesis:</b>	<b>Can the stock market predict changes in macroeconomic variables?</b>

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

Please provide your assessment of each of the following four categories. The minimum length of the report is 300 words.

### **Contribution**

The main motivation of the paper is based on a notion that the stock market reacts to shocks much faster than the real economy. Therefore, the stock markets could predict changes in the real economy. The real economy here is represented by a set of macroeconomic variables which are merged into a vector autoregression system. The results suggest that indeed the stock market changes can predict changes in the real economy. The hypotheses thus proved to be valid and as such, the thesis contributes to the existing literature.

As always, there are several direction that could have strengthened the contribution such as focusing on various periods and whether the relationship changed over time. However, this might be problematic due a relatively limited dataset, which is usually the case for macroeconomic data. Nonetheless, the analysis could have been enriched by an out-of-sample exercise showing whether the model only fits well or it can be actually used for policy makers as well.

### **Methods**

The empirical analysis is based on the vector autoregression and Granger causality which are more of a master's curriculum. The methods are described sufficiently and properly; all necessary tests are described and later utilized.

### **Literature**

Scope of the covered literature is quite wide but the style of citing is inconsistent, specifically the reference list contains various types of citing, capital letters and an unclear "[online]" note attached to some references. Other than these formal issues, the text contains the relevant references and all necessary methodological approaches and tested are properly referred to.

### **Manuscript form**

The thesis has a clear logical structure, even though there are probably too many sections. Also, there is section 4.3.1 but no section 4.3.2. The language of the text is too colloquial at times, which could be disturbing for a scientific text. I also believe that the tables could have been played with a little bit more so that they look less like outputs from Gretl. In most of these tables, Granger is mistyped as Granager and there are several typos there as well.

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution</i> (max. 30 points)	25
<i>Methods</i> (max. 30 points)	28
<i>Literature</i> (max. 20 points)	17
<i>Manuscript Form</i> (max. 20 points)	13
<b>TOTAL POINTS</b> (max. 100 points)	<b>83</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE:** doc. PhDr. Ladislav Křištofuk, Ph.D.

**DATE OF EVALUATION:** 5.6.2017

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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