

Report on Master Thesis

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

Student:	Bc. Tereza Malířová
Advisor:	PhDr. Jozef Baruník, Ph.D.
Title of the thesis:	Measurement of volatility spillovers and asymmetric connectedness on commodity and equity markets

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

Contribution

The topic of this master's thesis is interesting, not only from the academic point of view, but also from the practical (investor) one. The issue of measurement of volatility also has a great potential to be variously used in applied work.

Methods

The thesis is divided into six parts. After a well written introduction the author concentrates on the review of recent literature, which focus on the interconnectedness of commodity markets and equity markets. The next section introduces methodology and concentrates on „realized measures“, „spillover indices“ and also discusses „bad and good volatility“. The fourth section focuses on used data. The penultimate section includes results (from „model selection“, „volatility spillover tables“, „conditioning and dynamics“ to presentation of „asymmetric volatility spillovers“). The final section concludes.

This master thesis written by Tereza Malířová is well-balanced; it consists of both theoretical and empirical parts, with interesting results, an interesting literature survey, and appropriate (and advanced) techniques for empirical analysis.

Question for the author:

1. Did author calculate, for example as a starting point to this analysis, Granger causality between commodity and equity markets or/and correlation among commodities? (Among these the most important commodity is crude oil, whose movement has a very strong impact to other commodities.¹)
2. Did you distinguish between seasonal effects and cyclical ones? (It is important to distinguish between seasonal effects and cyclical effects: the latter may be either longer or shorter in length than one calendar year, i.e. the cycle length and intensity are variable. Seasonality will refer to the property of a time period (one calendar year) during which the price of an underlying asset (in this case a commodity) shows regular and predictable changes every year.
3. It would be interesting (from the referee's point of view) to analyse the development of the VIX index (more precisely the CBOE's Volatility Index) in connection with measurement of volatility spillovers on commodity and equity markets.
4. There are growing complaints from market participants, economists and politicians that the surge in commodity prices over the last ten years has been due to growth in the number of financial institutions and index funds that also trade in commodities. What is the view of author of this thesis about this? It would be interesting to assess the hypothesis that financial institutions are having a growing influence on commodity markets and to examine the ensuing risks such as commodity price manipulation.

¹ From the referee's past calculation the correlation between crude oil and other commodities is high, e.g. with coal (0,904), aluminium (0,803), copper (0,877), ironstone (0,941), nickel (0,830), wheat (0,858), rice (0,669), corn (0,802), gold (0,886)).

Report on Master Thesis

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

Student:	Bc. Tereza Malířová
Advisor:	PhDr. Jozef Baruník, Ph.D.
Title of the thesis:	Measurement of volatility spillovers and asymmetric connectedness on commodity and equity markets

Literature

The literature review is strong, i.e. well balanced and includes both original sources of literature and current applied works.

Manuscript form

The manuscript form is strong and well constructed.

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

CATEGORY	POINTS
Contribution (max. 30 points)	28
Methods (max. 30 points)	28
Literature (max. 20 points)	19
Manuscript Form (max. 20 points)	20
TOTAL POINTS (max. 100 points)	95
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Prof. Luboš Komárek

DATE OF EVALUATION: 4.9.2017



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

