IMESS DISSERTATION

Note: Please email the completed mark sheet to Year 2 coordinator
(cc Chiara Amini chiara.amini@ucl.ac.uk and fiona.rushworth@ucl.ac.uk)

Please note that IMESS students are <u>not</u> required to use a particular set of methods (e.g. qualitative, quantitative, or comparative) in their dissertation.

Student:	Yanqi Guan
Dissertation title:	Analyzing the link between Environmental, Social and Governance (ESG) and sovereign bond spreads: an empirical analysis of CEE countries

	70+	69-65	60-61	59-55	54-50	<50
	A	B	C	D	E	F
Knowledge *Knowledge of problems involved, e.g. historical and social context, specialist literature on the topic. Evidence of capacity to gather information through a wide and appropriate range of reading, and to digest and process knowledge.*	75					
Analysis & Interpretation *Demonstrates a clear grasp of concepts. Application of appropriate methodology and understanding; willingness to apply an independent approach or interpretation recognition of alternative interpretations; Use of precise terminology and avoidance of ambiguity; avoidance of excessive generalisations or gross oversimplifications.*			60			
Structure & Argument *Demonstrates ability to structure work with clarity, relevance and coherence. Ability to argue a case; clear evidence of analysis and logical thought; recognition of an argument´s limitation or alternative views; Ability to use other evidence to support arguments and structure appropriately.*	70					
Presentation & Documentation *Accurate and consistently presented footnotes and bibliographic references; accuracy of grammar and spelling; correct and clear presentation of charts/graphs/tables or other data. Appropriate and correct referencing throughout. Correct and contextually correct handling of quotations.*	70					
Methodology *Understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.*			60			

ECTS Mark:	67	**Charles Mark:**	B	**Marker:**	Jaromír Baxa
Deducted for late submission:	No			**Signed:**	
Deducted for inadequate referencing:	No			**Date:**	

MARKING GUIDELINES

A (UCL mark 70+) = A (Charles mark 91-100 - excellent): *Note: marks of over 80 are given rarely and only for truly exceptional pieces of work.*
Distinctively sophisticated and focused analysis, critical use of sources and insightful interpretation. Comprehensive understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.

B (UCL mark 69-65) = B (Charles mark 81-90– very good)
C (UCL mark 64-60) = C (Charles mark 71-80 – good): A high level of analysis, critical use of sources and insightful interpretation. Good understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research. 65 or over equates to a B grade.

D (UCL mark 59-55) = D (Charles mark 61-70 – satisfactory)
E (UCL mark 54-50) = E (Charles mark 51-60 – sufficient):
Demonstration of a critical use of sources and ability to engage in systematic inquiry. An ability to engage in sustained research work, demonstrating methodological awareness. 55 or over equates to a D grade.

F (UCL mark less than 50) = F (Charles mark 0-50 - insufficient):
Demonstrates failure to use sources and an inadequate ability to engage in systematic inquiry. Inadequate evidence of ability to engage in sustained research work and poor understanding of appropriate research techniques.

Please provide substantive and detailed feedback!

Comments, explaining strengths and weaknesses (_at least 300 words_):

Summary: The goal of the thesis is to verify whether non-economic factors embedded in environmental, social, and governance indicators are relevant for sovereign bond pricing in the CEE countries after 2009. The thesis builds on the contribution by Capelle-Blancard et al. (2019, Journal of Banking and Finance), who provide a similar analysis on the panel of old EU member states. It is found that these indicators add to the explanatory power of macro fundamentals in explaining the dynamics of bond prices.

Knowledge: Yanqui Guan surveys the relevant literature in the field. Thus, many papers on corporate and sovereign bond pricing are included. I don't have any reservations here.

Analysis and interpretation: The author relies on panel data estimation methods. Rightly, she argues that a simple fixed-effect estimator might be biased when the lagged dependent variable is included in the model, and she estimates her models with the GMM, which is a standard approach in the literature. However, even after my feedback on precisely this issue, not all relevant test statistics are included (namely the Hansen-Sargan test and the AR2 test), so one cannot assess the validity of the results.

Structure and argument: The thesis is structured reasonably and well-written.

Presentation and documentation are in line with standards as well.

Methodology: I'm not entirely convinced. On one hand, Yanqui has chosen an appropriate method, and the arguments for this choice are present in the literature. On the other hand, all empirical methodologies have specific assumptions that need to be tested, and it is not the case here.

Specific questions you would like addressing at the oral defence (_at least 2 questions_):

1. The baseline model contains a composite ESG indicator with pre-specified weights that are somewhat arbitrary. Would their change make a difference? Why the governance pillar is that more important than the environmental pillar?

2. Isn't there a problem with reverse causality? Countries with lower bond yields can afford higher spendings on all possible issues, including social spending, investment into quality of government etc. Is reverse causality a problem for empirical estimation or not?