Report on **Bachelor / Master Thesis**

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

Student:	**Jakub Hromčík**
Advisor:	**PhDr. Jiří Schwarz, Ph.D.**
Title of the thesis:	**Reaction of retail investors to financial market movements and sentiment changes**

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

Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.

Short summary

Using unique data from a Czech retail online brokerage firm, Jakub investigates two research question. The first one deals with the impact of investor characteristics, such as age, sex, or income on the volume and timing of trades in reaction to changes of market sentiment captured by VIX index. And the second investigates the impact of investor characteristics on the probability that the investor will chose a riskier portfolio than recommended. The main findings are that men tend to choose a riskier portfolio than recommended and that lagged volatility decreases traded volume by all investors and current-month volatility decreases traded volume in case of men.

Contribution

The main contribution of the thesis is analyzing the impact of sociodemografic retail investor characteristics on the probability of following robo-advice in ready-made portfolios based on ETFs. It is possible, that investors attracted to this type of investments may have different characteristics than traditional investors investing directly into stocks or bonds. And they may also react differently. Unfortunately, the contribution is not really explicitly stated in the thesis. Also, in general, I believe that the topic is not very well motivated in the introductory section and that the results are not very well interpreted in terms of the existing literature introduced in the literature review part.

Jakub wrote the thesis very independently and actually almost without consulting with me. On one hand, this shows his remarkable skills, because he wrote a very nice thesis. On the other hand, I did not have the opportunity to see the final version of the thesis before it was submitted. And, therefore, I am not completely satisfied with some of its aspects. The interconnection between motivation, contribution, analysis, and interpretation of the results being one of the most important ones.

Methods

Jakub uses logit model to address the riskiness of chosen portfolio and panel regression to analyze the response of trade volumes on market volatility. He runs a battery of tests to check the assumptions of these methods and finds that some of them are probably violated. He addresses all of them very carefully and even though he was not able to deal with all of them, he explicitly admits where specifically may still be problems and disusses them in Discussion section. It was just not 100% clear to me, if I can trust the results or not. The Discussion section kind of has no ending in this sense, which was probably caused by not having enough time to adjust the analysis further.

Also, I was not sure why Jakub focuses so much on having a balanced panel. I don't think he explains that choice anywhere in the text. But in general I would say that the choice of methods is appropriate.

Literature

Jakub works correctly with literature, provides an extensive literature review focused on his research questions. The research questions are motivated by existing literature. He cites correctly. The results of the Turnitin analysis do not indicate significant text similarity with other available sources.

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Manuscript form

The manuscript form is without any problems, it is nicely typeset. I have only one critical remark: The concluding section should not include any new information, it is supposed to just summarize the findings. Some discussion of the impact of outliers and interpretation of some counter-intuitive results based on Czech specificities should have been done elsewhere – either in the Results section, or in the Discussion section of the thesis. But other than that, I believe that Jakub did a great job.

Overall evaluation and suggested questions for the discussion during the defense

Jakub wrote a nice bachelor thesis. However, I am convinced that with a bit more effort and dedication he could have utilized the unique data more and then also pay more attention to interpreting the results in context of the existing economic/behavioral literature and Czech specificities. Then it could have been a perfect thesis. But even in its current form, in my view, the thesis fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade B.

Suggested questions for discussion:

1. I understand that because of the research questions you had to work only with data of clients who finished the activation process and made an investment. But what about those who have not finished the activation process? Are they any different? Couldn't you find something interesting there, too?
2. Is the mean portfolio constructed as a weighted average with weights being the invested volume? If not, why?
3. Why was it so important to work with a balanced panel?
4. How can the results be interpreted from the point of view of the behavioral literature?
5. Can we trust the results or not, given the fact, that not all assumptions of the used estimation methods are satisfied?

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

CATEGORY		**POINTS**
Contribution	*(max. 30 points)*	20
Methods	*(max. 30 points)*	25
Literature	*(max. 20 points)*	20
Manuscript Form	*(max. 20 points)*	18
TOTAL POINTS	*(max. 100 points)*	**83**
GRADE	**(A – B – C – D – E – F)**	**B**

NAME OF THE REFEREE: Jiří Schwarz

DATE OF EVALUATION: 13.1.2024

PhDr. Jiří Schwarz, Ph.D.

Digitally signed by PhDr. Jiří Schwarz, Ph.D.
Date: 2024.01.13 22:15:01 +01'00'

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

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.*

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.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

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.*

Overall grading:

TOTAL	**GRADE**
91 – 100	**A**
81 - 90	**B**
71 - 80	**C**
61 – 70	**D**
51 – 60	**E**
0 – 50	**F**