

# Report on Bachelor Thesis

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

<b>Student:</b>	Jáchym Janů
<b>Advisor:</b>	RNDr. Michal Červinka, Ph.D.
<b>Title of the thesis:</b>	<b>The Impact of Domestic Political News on Prague Stock Exchange in the Years 2022 and 2023: A Study on Market Activity and Price Dynamics</b>

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

### **Short summary**

This thesis examines the impact of political news on price changes at the Prague Stock Exchange (PSE) using panel data methodologies. The study focuses on price changes during open-to-close trading hours and finds that political news significantly impacts market volatility, indicating that an increase in political news leads to greater market volatility.

Additionally, the study reveals that open-to-close hours are more influenced by past price changes compared to close-to-open hours, although the reliability of these findings is limited. For the close-to-open price variance, the research identifies past price changes and certain days of the week as contributing to higher volatility, with Tuesdays and Fridays showing more fluctuations.

### **Contribution**

The author contributes to understanding financial market dynamics by demonstrating how political news influences stock price volatility at the PSE. By employing both panel data and dynamic panel data methodologies and selecting the Fixed Effects Model (FEM) to handle the endogenous nature of variables, the study provides robust empirical evidence of the relationship between political news and market volatility.

A key contribution is the identification of number of political news during the trading hours as a more significant predictor of price changes during open-to-close hours than other variables. This finding suggests that political headlines have a tangible impact on market behavior, a point that is critical for market participants who aim to anticipate and capitalize on periods of high volatility. The research also adds to the understanding of intra-day trading patterns by highlighting the differential impact of past price changes on trading hours, revealing that open-to-close hours are more susceptible to historical price movements than close-to-open hours. This insight into market mechanics provides a foundation for future research to further explore the temporal dynamics of price changes.

### **Methods**

The author employs both panel data and dynamic panel data methodologies and selects the Fixed Effects Model (FEM) to handle the endogenous nature of variables. Although the panel data methodology is appropriate for the Bachelor's level of studies at IES FSV UK, the dynamic version goes beyond the standard curriculum of Bachelor level students of Economics and Finance program.

I would like to point out that the author uses his own mathematical notation which was not taken from the literature, providing an efficient and easy-to-understand presentation of used models. Further, the „re-definition“ of workdays may seem counterintuitive on the first glance, the author effectively justifies the need for such modification and supports the process by illuminative graphics (in this case Figure 3.1).

In Section 3, the author provide thorough exposition of source data via various descriptive statistics and also provides efficient background of used models along with clear presentation of corresponding assumptions which need to be met in order to perform such analysis. In Section 4, the author provide careful exposition of verification of assumptions and subsequently the resulting estimated models, along with easy-to-follow corresponding interpretation.

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## Literature

The thesis shows a good understanding of related literature. It covers various studies on correlation between stock markets, volatility spillover effects and previous studies on impact of news on stock markets. References are cited properly, supporting the study's methods and findings with relevant sources.

## Manuscript form

The thesis is logically organized and consistently uses appropriate academic language. The student's use of English is flawless, contributing to the clarity and professionalism of the work. Tables and figures are well-designed and effectively integrated into the text, enhancing the overall readability and coherence.

I could only object to occasional blank parts of pages linked to positioning of tables or figures, in particular on pages 14, 19 and 40. I have found only two typos in mathematical notation; on the second line below model (4.5) and in estimated model (5.3). In both cases it is quite clear to the reader what the correct notation should have been and thus these do not have any influence to the substance of the manuscript.

## Overall evaluation and suggested questions for the discussion during the defense

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 A**. The results of the Turnitin analysis do not indicate significant text similarity with other available sources.

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	28
<i>Methods</i> (max. 30 points)	29
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	19
<b>TOTAL POINTS</b> (max. 100 points)	<b>96</b>
<b>GRADE</b> (A – B – C – D – E – F)	<b>A</b>

**NAME OF THE REFEREE:** RNDr. Michal Červinka, Ph.D.

**DATE OF EVALUATION:** 27. 8. 2024

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**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