

# Report on Bachelor / Master Thesis

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

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| <b>Student:</b>             | <b>Filip Trusina</b>   |
| <b>Advisor:</b>             | <b>Mgr. Petr Polák, MSc., Ph.D.</b>  |
| <b>Title of the thesis:</b> | <b>Effects of interest rate changes on the performance of technology stocks in the COVID-19 era – an event study</b> |

## **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**

The thesis explores the effects of interest rate changes on the performance of technology stocks during the COVID-19 era, focusing on firms with high leverage using an event study methodology. This is a relevant and timely topic, particularly in light of the economic disruptions caused by the pandemic. While the work touches on key aspects of monetary policy and its impact on the tech sector, it would benefit from a more in-depth analysis and clearer articulation of its original contribution to the field.

### **Contribution**

The thesis tackles a significant issue, especially given the evolving role of technology firms in the economy during times of monetary tightening. However, the contribution could be more clearly defined. While the topic is relevant, the originality of the research is somewhat limited, as it largely echoes findings from existing literature. The author does not present an original research question or offer significant new findings. A more explicit discussion of how the study advances or differs from prior research would strengthen the thesis.

### **Methods**

While the event study methodology is appropriate, the execution is rather simplistic. The author does not consider alternative approaches or more advanced techniques that could provide deeper insights into the subject. There is also a lack of robustness checks, which weakens the credibility of the results. The chosen event windows and benchmarks are standard, but the thesis would benefit from a more detailed discussion of their suitability and potential limitations. A deeper exploration of the empirical results would also help to provide a more comprehensive understanding of the findings.

The major problem I have with the methodological approach is that even though the author repeatedly claims that he studies the reaction of cumulative abnormal returns to exchange rate changes (either the Fed funds effective rate or the Fed funds rate future), the used events are actually the FOMC meetings. But the important feature of any rate capturing expected monetary policy changes is that it changes even before the relevant events. Therefore, focusing solely on the period immediately before and after the meeting might be misleading.

### **Literature**

The literature review covers relevant studies, but it could be more concise and focused. A more critical engagement with the literature would also enhance the review, helping to position the study within the broader research landscape more effectively. In some parts the literature review is overly descriptive. Some of the references also seem a bit strange to me. E.g. Gunardi et al. (2023), a paper called "The Effect Of Money Supply And Interest Rate On Stock Price" has been published in *Journal of Survey in Fisheries Sciences*. By the way, this piece of information is completely missing in the list of references.

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

## Manuscript form

The manuscript is generally well-structured, but there are several issues that affect its overall clarity and presentation. The introduction, in particular, reads more like an extended literature review rather than a clear introduction to the research problem. It is written as a one three-pages-long paragraph. It doesn't even mention contribution. Additionally, there are multiple typographical errors and inconsistencies in the references. Some references lack critical information, such as publication details, which reduces the overall credibility of the work. A more thorough proofreading and editing process would significantly improve the professionalism and readability of the thesis. A rather funny example: One item authored by people from the Federal Reserve is listed as *Reserve, F. (2017): "The potential increase in corporate debt in- terest rate payments from changes in the federal funds rate."*

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

This thesis addresses an important and timely topic, but there are areas where it could be improved. The analysis, while solid, could be more thorough, and the manuscript itself requires more careful attention to detail. The contribution is very limited. Nevertheless, the work demonstrates a good understanding of the key issues.

The thesis meets the basic requirements for a master's thesis at the Institute of Economic Studies, Faculty of Social Sciences, Charles University. While there are areas that could be significantly improved, particularly in the manuscript's form and the depth of analysis, I recommend the thesis for defense with a grade of C.

Suggested questions for the defense:

1. Can you elaborate on why you chose the specific event windows and benchmarks for your study? Did you consider other approaches or robustness checks?
2. How does your study contribute new insights to the field beyond what has already been discussed in the existing literature?
3. A lot of interest rate changes are expected even before the FOMC meeting. Can you think of a way how this could be taken into account?
4. When comparing the effects in the pre-covid and covid periods, you do it by running to separate regressions? Could this be done in some other way, too? What would be the pros and cons of different approaches?
5. How might your findings change if you included additional variables such as market sentiment or liquidity in your analysis?

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

| CATEGORY                             | POINTS |
|--------------------------------------|--------|
| <i>Contribution (max. 30 points)</i> | 20     |
| <i>Methods (max. 30 points)</i>      | 22     |
| <i>Literature (max. 20 points)</i>   | 15     |

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|---|-----------|
| <i>Manuscript Form</i> (max. 20 points) | 14        |
| <b>TOTAL POINTS</b> (max. 100 points)   | <b>71</b> |
| <b>GRADE</b> (A – B – C – D – E – F)    | <b>C</b>  |

***NAME OF THE REFEREE: PhDr. Jiří Schwarz, Ph.D.***

***DATE OF EVALUATION: 8.9.2024***

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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     |