

Report on Master Thesis

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

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

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

In his thesis, Filip Trusina examines the impact of interest rate changes on the stock performance of technology firms during the COVID-19 era, using an event study methodology. The COVID-19 era was the time of Fed Funds Rate unexpected as well as expected movements in both directions. The study finds that stocks with higher leverage and price to book ratio react more negatively to changes in interest rates than other firms. The thesis also finds that returns around a change in interest rates differ for technology firms compared to the wider market.

Contribution

The use of an event study methodology to explore the relationship between Federal Reserve interest rate policies and stock returns of firms in the technology sector is timely and relevant, especially considering the significant role technology stocks played during and after the pandemic. Yet it might be better argued the motivation for selection of technology firms for the analysis. Next to it, the literature review presented provides large possibility for direct comparison of the results, but it is not done in the thesis, which is a pity.

Methods

The event study methodology is well-suited for analyzing the market's reaction to specific events, such as FOMC interest rate announcements and presented literature supports such approach. The author uses cumulative abnormal returns (CAR) to assess the stock performance surrounding these events. The methodology is applied correctly, with appropriate statistical techniques such as the calculation of abnormal returns and the use of benchmarks (NASDAQ 100 and SPY) to compute expected returns. There are several theoretical concepts discussed, but the event study method is not presented in the thesis. Several aspects are discussed (like why the 5 day window was selected), but the method should be presented fully.

Literature

The work with the literature is proper and follows academic standards, when working with primary sources. The thesis demonstrates a sound understanding of theoretical frameworks. The author engages with relevant empirical studies, offering a comprehensive background on the effects of interest rate changes on stock returns. The discussion of studies that focus on market reactions to monetary policy changes, especially in times of crisis, aligns well with the thesis topic.

Manuscript form

The thesis is nicely written and easy to follow. The structure is also clear and a standardized LaTeX template is used. Figures could benefit from full labelling and description below them. There are several text-encoding errors in the final thesis (mostly with € sign, e.g. page 23 or 50). Some sections, particularly the results chapter, could benefit from deeper interpretation and discussion. While the statistical outputs are presented clearly, the economic implications of these findings need further elaboration.

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Overall evaluation and suggested questions for the discussion during the defense

I like the topic and the way the Filip approached it. Filip worked on the thesis as is expected from a master student and the analysis itself is of a high quality. My final grading reflects that the thesis could be improved and I tried to somehow capture the improvement in the points deducted.

Suggested Questions for Defense:

Can you elaborate about your focus on FFRF in the context of market expectations? Markets usually have also longer pricing horizon and expectations about rate changes for the next year are available and they change over time. There are also expectations long-term yields, why have you chosen FFRF?

Can you describe the table 5.1 in more detail? It is unclear how expected are real changes are linked? E.g. was the change in July 2023 not expected? Or the changes in expectations were „too gradual“?

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

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 C.

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

CATEGORY	POINTS
<i>Contribution (max. 30 points)</i>	24
<i>Methods (max. 30 points)</i>	20
<i>Literature (max. 20 points)</i>	20
<i>Manuscript Form (max. 20 points)</i>	17
TOTAL POINTS (max. 100 points)	81
GRADE (A – B – C – D – E – F)	B

NAME OF THE REFEREE: Petr Polák

DATE OF EVALUATION: 8. 9. 2024

*Digitally signed (8. 9. 2024)
Petr Polák*

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