Report on Bachelor / Master Thesis

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

Student:	**Bc. Matej Kvorka**
Advisor:	**Doc. PhDr. Zuzana Havránková, Ph.D.**
Title of the thesis:	**Earnings Yield and Expected Stock Returns: a Meta-Analysis**

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

Short summary

According to the efficient market hypothesis, it should be impossible to predict the relative movements of prices of individual stocks. Yet hundreds of studies claim to have found "anomalies" that enable such a prediction. These anomalies are often called pricing "factors", and there have been many of them (the so-called "zoo of factors"). Some authors have argued that many of these "factors" are just chance discoveries published due to publication bias and p-hacking. Others claim that the findings are often genuine but that the effect disappears soon after publication as investors exploit the factors. Some argue that (at least a few) factors are genuine and stable and we can use them for forecasting. For example, many investment companies use the "size" factor and put more weight on smaller firms. Another factor that is frequently used is the earning yield (E/P ratio). This is the factor Matej Kvorka focuses on. He finds that, indeed, most studies report that the factor works. Despite strong publication bias, the factor seems to be a genuine phenomenon, and a relatively stable one at that.

Contribution

This is a good example of how a master's thesis should look like. The topic is clearly defined, related to both fundamental economic theory and financial practice. The thesis uses up-to-date econometric techniques and involves substantial data collection, which results in a new, original dataset. The findings will be interesting to researchers and practitioners alike. I believe that a paper based on the thesis could be publishable in a solid international journal.

Methods

Let me mention several advanced techniques (not taught at the IES) that are used in the thesis: endogenous kink, stem-based method, selection model of Andrews and Kasy, Bayesian model averaging, p-uniform*. All of these techniques seem to be applied and interpreted properly. Matej Kvorka has consulted his progress with me on a regular basis, so I have no objections to the outcome.

Literature

As far as I can tell, related papers are covered well.

Manuscript form

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The thesis reads well, is typeset in LaTeX and written in competent English. The formatting of figures could perhaps be slightly improved, but that's a very minor issue.

Overall evaluation and suggested questions for the discussion during the defense

In my view, the thesis fulfills the requirements for a master's thesis at the IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade A. The results of the plagiarism software analysis do not indicate significant text similarity with other available sources.

Question for defense: According to your BMA results, the effect of the earning yield on future price is bigger for delisted companies. I wonder whether the issue is connected to studies that show how delisted companies often seem to outperform listed companies (see the newly launched NIXT index and the accompanying papers). Perhaps, when it comes to delisted companies, the current E/P ratio is more important for investors than when it comes to listed companies?

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	27
Methods	*(max. 30 points)*	28
Literature	*(max. 20 points)*	19
Manuscript Form	*(max. 20 points)*	18
TOTAL POINTS	*(max. 100 points)*	A
GRADE	**(A – B – C – D – E – F)**	92

NAME OF THE REFEREE: doc. PhDr. Zuzana Havránková, Ph.D.

DATE OF EVALUATION: 16.8.2024   Digitally signed, Zuzana Havrankova

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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**