

REVIEW OF THE BACHELOR'S THESIS SUPERVISOR

Student's name: Tatiana Masliukova

Thesis title: The Effect of Exchange Rate Fluctuations on a Trade Balance, the Case of

Russia.

Name of the thesis supervisor: Ing. Helena Chytilova, M.A., Ph.D.

	1	2	3	4
Assessment of the topic itself (irrespectively of the student):				
1.1 To what extent is the topic current and significant?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.2 How challenging is the topic in respect of theoretical knowledge?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.3 How challenging it in respect of practical experience or fieldwork?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.4 How difficult is it to get background materials?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Verbal assessment (several sentences), in particular:

Subsection 1.1: This issue is highly topical due to the continuing Russian ruble depreciation and its implications for Russian economy itself.

Other (as appropriate):

2. Evaluation of the thesis structure and logical cohesion:				
2.1 To what extent is the thesis structure logical and transparent?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.2 To what extent does the author use current / suitable sources?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.3 How properly did the author select methods in respect of the topic?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.4 How sufficiently and functionally did the author use in the thesis original charts, tables, data, annexes, etc.?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.5 What is the compatibility level for the thesis basic line elements: topic – thesis assignment – objective – structure - conclusions?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Verbal assessment (several sentences), in particular:

Subsection 2.1: Number of headings and subheadings used is adequate, with respect to clarity of the thesis. Furthermore, the structure and logic of the thesis is well done.

Subsection 2.5: This is closely connected to the point 2.1 above. The story line of the thesis is obvious, with good compact structure. Author is well aware of the fact that results of the thesis have to be assessed with respect to previously mentioned theory. This effort of author is apparent in all sections 5.3, 5.4, 5.5. Author conscientiously explains the nature of her results and supports her reasoning by appropriate contemporary research. What's more, this is presented in the context of characteristic features of Russian economy and its trade, which makes the thesis even more attractive.

Other (as appropriate):

3. Assessment of the thesis text quality:

3.1 How well – in terms of depth and quality – did the author analyze the topic?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.2 Did the author formulate the thesis objective clearly and with logical structure?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.3 Did the author fulfill the defined thesis objective and approved assignment of the thesis that contains the objective?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.4 How well – in terms of depth and quality – did the author cover the theoretical part of the thesis?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.5 How well – in terms of depth and quality – did the author cover the practical / analytical part of the thesis?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.6 To what extent are the thesis conclusions logically structured and show quality, and what is their added value?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Verbal assessment (several sentences), in particular:

Subsection 3.2: The goal of the thesis was formulated in succinct and clear way in introduction, but also in the beginning of analytical part.

Subsection 3.3: Please see section 3.4, 3.5 and 3.6

Subsection 3.4: I would suggest that theoretical part could be to some extent even more succinct, to address more specifically the concrete hypothesis. This impression is possibly caused (according to supervisor's view) by superfluous number of equations. These could be still reduced without affecting the word meaning.

Subsection 3.5: Author had to deal with non-stationarity in her model. Furthermore, cointegration model was applied to analyse long-term relationship between trade balance and exchange rate. We should bear in mind that application of these econometric methods goes far beyond the knowledge of bachelor student and thereby is definitely praiseworthy. Still, some econometric discussion about applied methods should be reduced to necessary minimum, since it may spoil a bit overall good impression from the thesis.

Author is testing the effect of exchange rate on trade balance. Furthermore, trade balance equation is estimated with quarterly lags, taking in account the existence of J-curve. The most important conclusion of this part is that depreciation of the currency leads to an improvement in the trade balance of Russia only after one quarter. Lastly, long-term relationship between trade balance and exchange rate is tested by means of cointegration. Unfortunately, this last result lacks the discussion, which was expected due to the nature of the result. Section 5.5 is the most interesting part of the whole thesis, (together with above-mentioned results), because it sums up implications of the model and its potential drawbacks.

Subsection 3.6: Conclusion goes right to the point with implications supported by relevant results and supplemented by current research.

Other (as appropriate): Clarity and comprehensibility of the thesis is undisputable. Effort of the author is visible at the first sight. Some sections of the thesis seem too look like typical explanation from economic book. Nevertheless, in some sections of theoretical part, author unnecessarily deals with description of basic issues, (we can refer to relicts like “the market in which international currency trades take place is called the foreign exchange market”, p.8). However, this description of basic facts was eliminated significantly.

Instructions for the review: Author of the review must provide verbal assessment for the specified subsections, which are pivotal for the thesis assessment, particularly for the defense; therefore, the assessment must have reasonable explanatory power.

Note: Classification method: 1 = exceptional, 2 = very good, 3 = good, 4 = failed.

4. Assessment of the thesis form and style:

- | | | | | |
|--|-------------------------------------|--------------------------|--------------------------|--------------------------|
| 4.1 What is the formal layout of the thesis? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.2 What is the quality of citations and references? Are sources identifiable? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.3 What is the stylistic level of the thesis, particularly the use of correct economic terminology? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Verbal assessment (several sentences), in particular:

Subsection 4.2: Although results in Table 1 are author's own computations, it would be better to mention source "Own Calculations".

Other (as appropriate): Clarity of formulations has improved a lot since the first version of thesis. Few typing errors are present in the thesis, (for instance "Engle Grager" instead of "Engel Granger", p.35)

5. Overall assessment *(It is necessary to state, whether the thesis meets the requirements of the Methodology of the Faculty of Economics in terms of the quality of contents, scope and formal requirements, whether the thesis is/is not recommended for defense. It may also be nominated for a special award, etc.):*

The value added of the thesis is undisputable. I especially appreciate the ability of author to provide readers with fine economic interpretation of results. Therefore it is my pleasure to recommend this thesis for a defence.

6. Questions and remarks to the defense:

- 1) Results indicate that when no lag is included in estimated trade-balance equation, depreciation of exchange rate leads to fall in net export. Explain more thoroughly the nature of this result.
- 2) Explain, how the absence of price elasticity of export and import in the model could possibly distort your results and why.

Proposed grade: Very good

Date: 18.5.2015

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Signature of the Thesis Supervisor

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