

REFEREE'S REVIEW

Program:	MCF
Student:	Konstantin Gusev
Title of thesis:	Effect of corporate credit rating changes: Evidence from the Russian stock market

Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis. Justification of the topic choice, accuracy in defining the aim and tasks of the thesis; originality of the topic and the extent to which it was covered; alignment of the thesis' topic, aim and objectives.	5			
Structure and logic of the text flow. Logic of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts.		4		
Quality of analytical approach and quality of offered solution to the research objectives. Adequacy of objectives coverage; ability to formulate and convey the research problem; ability to offer options for its solution; application of the latest trends in relevant research are for the set objectives.	5			
Quality of data gathering and description. Quality of selecting research tools and methods; data validity adequacy; adequacy of used data for chosen research tools and methods; completeness and relevance of the list of references.	5			
Scientific aspect of the thesis. Independent scientific thinking in solving the set problem/objectives; the extent to which the student contributed to selecting and justifying the research model (conceptual and/or quantitative), developing methodology/approach to set objectives.	5			
Practical/applied nature of research. Extent to which the theoretical background is related to the international or Russian managerial practice; development of applied recommendations; justification and interpretation of the empirical/applied results.	5			
Quality of thesis layout. Layout fulfils the requirements of the Regulations for master thesis preparation and defense, correct layout of tables, figures, references.	5			

Each item above is evaluated on the following scale, as applicable: 5 = excellent, 4 = good, 3 = satisfactory, 2 = poor .

Additional comments:

Credit ratings changes and their impact on the stock returns is a well-investigated area of research. But, there are no studies on this topic fulfilled on a case of Russian stock market. The author asserts that he makes a contribution to existing studies as he undertakes a research based on Russian companies. And the second part of the contribution stated is that Gusev K. investigates the effect of rating changes not only on the stock returns but also on bid-ask spreads, that is on the liquidity of stocks. The topic of the thesis is relevant. This type of study could make a contribution to existing research and help to provide managerial implications.

The research "is aimed to examine the effect of corporate credit ratings changes on the Russian stock market, dealing with both credit upgrades and downgrades". Objectives are consistent with the aim.

The structure in general is logical. Introduction contains all necessary elements. The topic is justified; goal and objectives, methodology and research object and subject are clarified in this part. In the first chapter the author provides main concepts related to credit ratings, procedures of obtaining ratings from agencies and a literature review on the ratings impact on the bond and stock markets, bid-ask spreads and their relationship to credit ratings changes. The author concludes "that informational value of corporate credit ratings is quite a controversial topic", therefore it is worth noting to further investigate this issue. Chapter 2 is devoted to research methodology and design, data description, the way of conducting the

empirical analysis. In the next part of the paper the author presents empirical results, their discussion and conclusions.

A literature review, provided in the chapter 1, is thorough and contains important research results and conclusions. Gusev K. makes conclusions from the analysis and review conducted in the chapter. He provides an important finding that "credit ratings are claimed to be forward looking and continuously evolving", rather than just reflect past performance. This conclusion is critical for understanding the goal of further analysis.

The paper in general is well-written in terms of the language and academic style.

The methodology of event studies is relevant for this type of research.

The thesis has a research nature and contains practical implications. The results could be used by managers, investors, stock traders.

The data collected and processed seems to be valid. Estimation results are described and analyzed.

The quality of analytical approach could be evaluated as high. The quality of the thesis content could be evaluated as high. It is worth noting that the conclusions and managerial implications are provided at a high academic level.

Critical comments and questions:

The goal of the research is stated as "to understand how participants of the Russian stock market perceive the information value of credit ratings and how they react to credit rating changes". The author defines the objective and a number of tasks following this. But the goal should be stated as to "examine", to "investigate", not as "to understand".

The author claims a contribution to existing studies as he examines a well-studied issue on a sample of Russian companies that was not conducted before. But this type of work could not be considered as a contribution, it is just a different sample used. In order to make a contribution the author should make new conclusions or applications given a different institutional context.

The volume of the thesis could be larger. What could have improved the paper, - is the analysis of the Russian stock market, specifics of investors behavior, market efficiency (inefficiency).

In 8 the author states: "credit rating agencies among other financial institutions were designed to fulfill this vital need". But credit agencies are not financial institutions; it is different type of institution.

In 36: "...at the moment of the rating change announcement it had being traded on the MICEX stock exchange for the period of at least 200 days". The author takes a period of 2003-2015, but talks about the MICEX stock exchange, that doesn't exist since 2011. Where did he obtain the data since two exchanges have merged?

General conclusion:

Master thesis of Konstantin Gusev meets the requirements of MCF program, and deserves an "excellent" (B) grade, thus the author can be given the desired degree.

Date

12/06/2015

Referee

Asst. Prof. Yulia Ilina

