

Abstract

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„Efficiency of an equity portfolio built on the basis of recommendations published by investment firms”

Investment recommendations play an important role on the capital market. However, for these analyses to be useful for investors, they must be of appropriate quality and effectiveness.

The main objective of this dissertation is to assess the effectiveness of an equity portfolio built on the basis of investment recommendations published for WSE companies by brokerage houses operating on the Polish capital market. More precisely, the aim of the work is both to evaluate the accuracy of investment recommendations and to assess the effectiveness of investment strategies built on their basis. Although the main objective of the research was not to verify the hypothesis on the information efficiency of the domestic capital market, the obtained results may contribute to the discussion on its efficiency in the semi-strong form.

Issues related to the efficiency of financial markets were synthetically discussed in the first chapter, which, among other things, addressed the essence and forms of efficiency, methods of its verification, and criticism of its basic assumptions. The analysis of the literature on the subject did not provide clear conclusions as to the degree of efficiency of the domestic capital market.

The second chapter is of great importance for the entire dissertation, in which issues related to investment recommendations are broadly discussed. The definition of recommendations and the legal acts regulating them are presented. The types of recommendations that occur are also characterized and the roles they play are determined, emphasizing that they improve the efficiency of capital markets, constitute a valuable source of knowledge for investors and promote the capital market. Next, the concept of recommendation quality was defined, along with a presentation of the dimensions according to which it can be assessed and a list of factors that influence this quality. The review of domestic and foreign literature did not provide clear conclusions on the accuracy and effectiveness of investment recommendations in Poland and around the world.

Chapter three describes the research methodology, including the analysis of the accuracy of target prices, analysis of quintile portfolios, logistic regression analysis and event

analysis. The methodology of the survey among stock analysts and the assumptions of the author's investment strategy, consisting in investing in stocks based on published analytical reports, which was examined in terms of its effectiveness, are also presented.

The fourth chapter presents the results of the conducted research. They showed that the recommendations are characterized by low accuracy of the target prices contained in them. Despite this, it was shown that investors are able to achieve an above-average rate of return on investments consistent with analysts' recommendations in both the long and short term. In the case of the long term, however, the research showed differences in the results of the effectiveness of recommendations using quintile portfolios and the author's strategy. It was also found that organizational and behavioral factors can affect the quality of reports prepared by analysts.