CZECH TECHNICAL UNIVERSITY IN PRAGUE
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REVIEW BY SUPERVISOR OF THE DIPLOMA THESIS

Topic: **Pricing of weather derivatives**

Author: **Caner Aydin**

Supervisor: **Július Bemš**

The author calculated the price of weather option using Monte-Carlo simulations of the wind speed.

The first part of the thesis is devoted to the research of scientific articles devoted to the chosen topic. Besides that, the author describes main weather indices, types of contracts, possible hedging strategies and necessary theoretical background.

The second part deals with robust data analysis of wind speed. Based on the data analysis, proper data transformations and theoretical distributions of the wind speed data are chosen. Finally, Monte-Carlo simulations are used for modelling of the wind speed. Value of the weather option with wind speed as the underlying asset is calculated in results.

Cooperation with the author was excellent. Caner was always coming well-prepared for consultations, his approach was proactive, and it was a pleasure to work with him. He fulfilled all my requirements and proved that he can solve complex problems independently.

According to my opinion, the work has a high practical impact and can be used in real-world applications.

I recommend grade this thesis

A – Excellent

using the ECTS grading scale, and <u>I recommend work for the defence, and I propose this thesis for the dean's award.</u>

I have no questions.

Prague, 7th of June 2019
Július Bemš