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Some financial implications of global warming: An empirical assessment

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Abstract

Concurrent with the rapid development of the market for catastrophe (cat) bonds, a steady decline in their risk premia has been observed. Whether the latter trend is consistent with the evolution of natural disasters risk is an open question. Indeed, a large share of outstanding risk capital in the cat bonds market appears to be exposed to some climate change-related risk as, for instance, hurricane risk, which global warming is expected to enhance. This paper addresses the above issue by assessing the global warming evidence, its implications for the natural environment and the drivers of cat bonds risk premia. We find that radiative forcing, i.e. the net insolation absorbed by the Earth, drives the warming trend in temperature anomalies and the trend evolution of natural phenomena, such as ENSO and Atlantic hurricanes, enhancing their disruptive effects. Hence, in the light of the ongoing contributions of human activity to radiative forcing, i.e., greenhouse gases emissions, natural disasters risk appears to be on a raising trend. Yet, the latter does not appear to have been accurately priced in the cat bonds market so far. In fact, while we find that the falling trend in cat bonds multiples is accounted by the expansionary monetary stance pursued by the Fed, we do also find evidence of significant undervaluation of natural disasters risk.

SME's bank leverage choices: Does the quantile distribution matter?

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Abstract

Using a large sample of 24,825 firm-year observations of French non-listed SMEs from 2003 to 2016, we investigate the drivers of SMEs' bank leverage choices. To do so, we use a quantile regression modeling in distinguishing between different quantiles of the bank leverage distribution. Furthermore, we apply this approach for three different sub-periods in order to investigate the impact of the global financial crisis. The analysis leads to several interesting findings. In particular, they reveal that drivers of the bank leverage level vary in function of the bank leverage distribution and of time. These results contribute to clarify the mixed results of previous research in this field. They also show indicate that the pecking order theory is suitable to French SMEs for which the performance is the most important determinant of the banking leverage.

The consequences of bank levy introduction in Europe

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Abstract

The financial crisis of 2007–08 has shown that bank risky operations may cause dramatic consequences for economies. These are not only because of banks' losses and significant public resources needed to be spend for bailing out the banks but also because banks' bankruptcies bring significant social and economic consequences all over the world. Resultantly, many proposals have emerged how to protect the banking sector against such future turbulences and to discourage banks from taking on too high risk. One of the proposals, recently heavily debated has been an introduction of the bank levy. This recent trend in leving bank operation has raised a question on how it will affect the performance and activity of domestic banking systems. Taxing bank operation could disrupt bank activities and negatively affect the economic situation of these countries. Many economists, credit rating agencies as well as bankers warned against the negative consequences coming from the introduction of the bank levy. Therefore, the first goal of my research would be to examine how bank levy influences banking sector performance as well as operation. The second goal of my research is to test if the levy on bank asset or bank liabilities limits the risks from the activities of the financial sector. Furthermore, recently economists put attention to the fact that banks, in order to prevent from increasing the tax expenditures, limit their activity on the interbank market at the end of the accounting period and the maturity of loans on the interbank market may also be shortened. Therefore, the third goal of my research will be to test if tax levy on bank asset or bank liabilities limits banks activity on the interbank market.

The Global Single and Regulated Market Framework of Financial Products and the EU/International Economic Policies. Building the Econometric Model.

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Abstract

This research paper examines whether and how much the regulations through the Community Directives and Regulations at European level as well as the laws which govern Money and Capital Markets in the United States helped, strengthened, protected the international financial system, if other markets were developed by moving transactions and if they contributed to the change of the world economic circles. The investigation of the impact on investors and national jurisdictions, namely, whether they are protected and whether all the factors in the system are affected, has concluded that the realization of a actually international single regulatory framework for all financial products is far away from reaching its ultimate and realistic achievement. However, the theoretical existence of a unified regulated market framework and model of organized markets, as long as, with a set of regulatory, organizational and economic policies that will shield it up to the point of a balanced regulation, offering equal information to the participants, with less transaction costs and thus increased transparency, liquidity and reducing market abuse cases and manipulation, is proved as feasible and can be implemented.

Volatility Spillover of the U.S. Quantitative Easing Policies: Evidence from BRIC Bond Markets

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Abstract

Since the aftermath of 2008 global financial crisis, central banks in major economies launched a variety of unconventional monetary policies to stimulate the depressed economies under zero lower bound. The implementations of the unconventional monetary policies, such as the announcement of Quantitative Easing (QE) policy, injected a large amount of liquidity into the global financial markets and economies. The increase in liquidity level brings major impacts on the global financial markets, especially the emerging markets. This paper empirically assesses the volatility spillover effects of the U.S. QE policies on emerging bond markets, particularly the BRIC (Brazil, Russia, India and China) markets. The results show a pronounced volatility spillover effects from the U.S. QE policy shocks on most BRIC bond markets. Specifically, during the early phase of the U.S. QE period (the U.S. QE1 and QE2 periods), BRIC bond yield volatilities increased significantly in response to U.S. QE policy shocks. During the U.S. QE3 period, the BRIC bond yield volatilities reduced significantly. Moreover, the dynamic correlation between the U.S. bond market and the BRIC markets are close to zero or even negative. This indicates that the U.S. QE volatility spillover effects on the BRIC markets are not because of the interactions among the markets, but from the U.S. QE impacts on changes in the global liquidity level.

Wealth transfers in rights offerings and the protective instruments

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Abstract

This study investigates the shareholder participation and wealth transfers associated with open offers as a type of rights offerings without tradable rights in Hong Kong. Compared with the results in the US where rights offerings are uncommon, open offers in Hong Kong where rights offerings are popular have slightly higher shareholder participation but far larger wealth transfers from nonparticipating to participating shareholders. This result rules out that the infrequent use of rights offerings in the US is due to low shareholder participation and high wealth transfers. This study for the first time finds that three main protective instruments reduce wealth transfers: i) the better underwriter certification provided by the largest shareholders, ii) the adoption of oversubscription privilege, and iii) the avoidance of the CEO-chairman position simultaneously held by the largest shareholders. Result also empirically indicates that the adverse effect of the expected wealth transfer on announcement returns is weaker when there is a large shareholder take-up.

The Sarbanes-Oxley Act and informed trading in the options market: Evidence from share repurchase announcements

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Abstract

This study examines the informed options trading hypothesis before and after the implementation of the Sarbanes-Oxley Act (SOX). We find that the magnitudes of abnormal stock returns associated with share repurchase announcements are significantly reduced after SOX. Also, informed options trading, measured by implied volatility spreads, occurs in the period before the enactment of this Act but thereafter disappears. Further evidence suggests that option traders do not have superior skill in interpreting publicly disclosed information related to share repurchases.

The incentives to sign integration contracts: a cooperative-game approach with empirical evidence

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Abstract

Firms sign integration contracts to increase profits from trade and competition with third parties. An integration contract can improve complementarity among partners (productivity effect) and increase their power in the marketplace (strategic effect). We investigate three bilateral contracts: M&A, Minority Stake purchase, and Joint Venture. By using a cooperative game approach, we characterize quite general profitability conditions. To estimate them, we adopt a novel complementarity index. It shows that for any kind of contract, a significant share of the integration profits is due to the "strategic" effect of increased market power. Productivity gains are relatively less important, and in some cases they are negative

Modeling and Predictability of Exchange Rate Changes by Extended Relative Nelson-Siegel Class of Models

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Abstract

We investigate the predictability of exchange rate changes by extracting the factors from the three-, four-, and five-factor model of the relative Nelson-Siegel class. Our empirical analysis show that the relative spread factors are important to predict the future exchange rate changes and the relative level factor has explanatory power for predicting the excess currency return. The regression model based on the factors of five-factor model is superior to the three- and four-factor model. Moreover, the predictability of the exchange rate changes in sample fit is statistically significant.

Institutional Investors and Corporate Social Responsibility

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Abstract

Institutional investors appear to have selective corporate social responsibility (CSR) preferences. They underweight stocks with environmental (E) and social (S) weaknesses, but appear indifferent to ES strengths. This non-linear pattern is particularly strong for longer-horizon institutions and it is likely driven by economic incentives. ES weaknesses may reflect greater firm-specific downside risks, while ES strengths may appear irrelevant in this context. Our empirical analyses on stock return skewness and eventual bankruptcy/delisting support this view. Also, time varying economic incentives appear to drive the institutional ownership of stocks that may elicit static ES weaknesses due to their involvement with controversial products (e.g., tobacco and firearms).

Banking Sector Stability and Its Implication on Nigerian Economy

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Abstract

ABSTRACT This research examined the impact of banking sector stability on the Nigerian economy alongside key macroeconomic variables. The study employed banking stability index, return on assets, financial depth and interest rate, while real GDP was used to capture economic growth, using annual data from 1990 to 2016. The Augmented Dickey Fuller (ADF) and Phillip Perron (PP) tests reveals that apart from interest rate, all other variables were stationary at first difference. The Bounds test to cointegration confirms the existence of a long-run relationship amongst the variables considered for the study. The ARDL results suggests that in both long and short-run estimations that a rise in banking sector stability, financial depth and return on assets will lead to an increase in economic growth, conversely, an increase in interest rate will result to a fall in economic growth. Finally, we recommend that regulators improve both the micro-prudential and the macro-prudential supervision of the banking industry, while an upward review of the current minimum capital base has become imperative owing to the effect of inflation and fall in the country?s exchange rate.

Military Executives in China

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Abstract

This study investigates the impact of executives? military experience on a number of corporate outcomes in China. We find that Chinese executives with military backgrounds are more risk-taking than their non-military counterparts. Specifically, firms managed by military executives have higher leverage, retain less earnings, and spend less on R&D activities. Although military executives perform poorly in general, they preform relatively well during periods of industry distress. Interestingly, our analysis shows that military executives in China commit relatively more corporate violations compared to those without military experience. This result contradicts with the finding by Benmelech and Frydman (2015) for the U.S. sample of military CEOs.

On Bank Consolidation in a Currency Union

Abstract

The paper focuses on the impact of diversification on bank performance and how consolidation through mergers and acquisitions (M&A) affects the banking sector?s stability in the Eastern Caribbean Currency Union (ECCU). The paper finds that a lower level of loan portfolio diversification explains higher non-performing loans and earnings volatility of indigenous banks, as compared to foreign competitors in the ECCU. We then simulate bank mergers both within and across ECCU countries by combining individual banks? balance sheets. The simulation shows that a typical indigenous bank could better diversify against its risk by merging with other banks across the border. In addition, we point out that M&A, leading to a more asymmetric banking sector, may increase systemic risk.

Model Selection, Idiosyncratic Volatility, and Stock Returns

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Abstract

Investors hold imperfectly diversified portfolios due to incomplete information and then need compensation for bearing idiosyncratic risk. To analyze whether investors benefit from (asset pricing) model selection, we investigate the relation between idiosyncratic volatility (IVOL) and stock returns through different factor models under unconditional and conditional information. We find that the idiosyncratic volatility estimated from different factor models is highly correlated and exhibits similar patterns in determining average stock returns. Model selection seems to have no effect on the relation between idiosyncratic volatility and stock returns. However, we find that the idiosyncratic volatility spread is priced after controlling for size, value, momentum, and liquidity, and the negative relation between idiosyncratic volatility spread and stock returns is driven by its components associated with the change in betas. Finally, we find the bias linked to the failure to account for time-varying alpha and betas in factor models is negatively related to stock returns.

Bank loans, corporate debts, and corporate cash distribution following the 2008-2009 financial crisis

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Abstract

This paper examines the effects of the quantitative easing programs on the supply of bank loans and that of corporate debts. During the quantitative easing period, lending banks demand significantly lower loan spreads, offer longer loan maturities, provide larger loans, and loosen covenants on low credit-quality firms (i.e., whose long-term bond rating is lower than BBB), while bond investors do not loosen the requirement for riskier borrowers concurrently. Together with such evidence, cash holdings obtained from debt financing can decrease firm value and increase default risk, when loan costs are relatively low due to the managerial agency problems of bank manager.

Bank risk behavior and board composition: Evidence from Vietnam

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Abstract

Although risk management in banking sector has attracted tremendous concern of both academics and practitioners, surprisingly little attention was paid on the relationship between demographic characteristics of board members and banks? risk-taking behavior, especially in developing countries. Exploiting the dataset of Vietnamese banks from 2009 to 2016, we found that the introduction of female or foreign board members is likely to reduce banks? risk taking. However, increasing the percentage of female or foreign board members has no marginal effect on the risk-taking behavior of banks which already had such board members. Further, board age has a positive relationship but board size shows a negative one with banks? risk taking. Additionally, bank size is found to be an important determinant of banks? risk-taking behavior in the context of Vietnam, meaning that larger banks tend to involve in high risk.

Is Debt Conservatism the Solution to Financial Constraints? An Empirical Analysis of Japanese Firms

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Abstract

?This paper investigates why firms choose the conservative financing strategy known as non-positive net debt policy, which is a more recent prevalent trend among Japanese firms. The analysis reveals that Japanese firms are more likely to be financially conservative if they are smaller, older, and more profitable and have less growth opportunities and tangibility. The survival analysis further investigates the duration of conservative debt policy and ordinary debt policy. The evidence shows that firms adopt/abandon the conservative policy with different motivations and preferences over debt conservatism. In particular, we argue that the more financially constrained firms abandon the conservative debt policy sooner than their counterparts, while less financially constrained firms abandon the ordinary (less conservative) debt policy sooner than their counterparts. The results suggest that a firm uses a conservative debt policy in terms of net leverage as a temporary buffer to mitigate financial constraints.

Loss Probability and the Cross Section of Expected Stock Returns

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Abstract

We investigate the significance of loss probability (LP), a model- free and probability-based risk measure, in the cross-sectional pricing of U.S. stocks. Portfolio-level sort analyses and firm-level regressions reveal a positive and strong relation between LP and expected stock returns. During our sample period, average risk-adjusted return dif- ferences between stocks in the two extreme LP deciles exceed 0.75% per month. The positive LP effect, characterized by some investors intending to pay low prices for high LP stocks, remains significant after controlling for factors known in the literature to predict future stock returns. Overall, we provide new empirical evidence that mental accounting affects investor decisions and thus firm-level stock returns.

Bond Market in India - Evolution, Comparison and Determinants

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Abstract

The paper looks at the evolution, institutional background and various reforms introduced in both government and corporate bond market. A comparison with Asian peers indicates that the Indian government bond market is reasonably large but the corporate bond market is relatively smaller. The paper investigates whether Keynes?s supposition that short-term interest rates are the key drivers of long-term government bond yields holds in India, after controlling for various key economic factors. The empirical study is based on John Maynard Keynes?s Liquidity Preference theory and Rational Expectation theory. Secondary data of macroeconomic variables are used for the period 2005 to 2017 including data of yields of government bond for the study. As all the variables are integrated of order 1, Engle and Granger (1987) method is used to analyze co-integration among the variables. The models estimated here shows that, long-term interest rates of Indian Government Bonds (IGBs) are positively associated with the short-term interest rates of Treasury bills, after controlling for various macroeconomic variables. Higher (lower) long-term interest rates on IGBs are influenced by higher (lower) short-term interest rates, higher (lower) rates of inflation, a faster (slower) pace of industrial production and higher fiscal deficit. The bond market was disrupted during 2013 when yields rose sharply in India. Incorporating the structural break during that period, improved our findings. It is to be noted that during the recent period of globalization, unconventional monetary policy of developed economies and divergent monetary policies of various economies, the relationship remained true in Indian context. The study will help policy makers to build appropriate models and take policy decisions.

The alignment of global equity and corporate bonds markets with the Paris Agreement ? A new accounting framework

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Abstract

To comply with the adopted Paris Agreement, global finance flows must be measured against climate scenarios consistent with possible pathways towards limiting global warming to 2 °C or less. For this, there must be proven and accepted accounting principles for assessing financial plans of climate relevant actors against climate models. As there are a variety of data sources describing the financial plans of relevant actors, these principles must accommodate a variety of reported information, while still yielding relevant metrics to different stakeholders. A set of accounting principles tested by governments, financial supervisory bodies, and both institutional investors and mangers, covering global listed equity and corporate bond investment is described. The application illustrates that a common set of accounting principles can act across both asset classes and provide relevant metrics to multiple stakeholders. The principles require data of varying quality and are ultimately unverified. Thus, the definitive quality of the output metrics is uncertain and are yet to be characterised. The principles are yet to be applied to the credit market as the information is seldom publicly available, but it too plays an important role in the required market transition and therefore must be incorporated into these guiding principles of analysis. The principles allow for standardised assessment of financial flows of equity and corporate debt with global climate scenarios. It illustrates acceptance of a common set of accounting principles that is relevant across different actors and asset classes and summarizes the principles underlying the first climate finance scenario analyses.

Board Diversity and Corporate Innovation

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Abstract

This paper aims to investigate the effect of board diversity on corporate innovation. We develop three composite board diversity measures ? aggregated diversity, inherent diversity and acquired diversity- to capture the diversity among board members. Inherent diversity index is constructed from directors? demographic characteristics: gender, age, and nationality and acquired diversity index is constructed from directors? experience characteristics: education and expertise. Our results indicate that board diversity is positively and significantly associated with a firms? innovation. Specifically, the inherent board diversity is positively correlated with patents and citations, while acquired board diversity is positively associated with R&D expense, and innovation efficiency. We find that board diversity has a stronger effect on innovation input in diversified firms, low financial constraints firms, and low Tobin?s Q firms, while board diversity has stronger effect on innovation output and efficiency in focus firms, high financial constraints firms, and high Tobin?s Q firms. Our results are still hold after addressing the endogeneity issues.

Impact of higher capital buffers on banks' ?lending: Evidence from the Euro Area experiments

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Abstract

We study the impact of higher bank capital buffers, namely of Other Systemically Important Institutions (O-SIIs), on banks’ risk taking and credit supply. Macroprudential measures that reflect into higher capital requirements increase banks’ resilience to adverse shocks. At the same time, they are likely to constrain lending and, while for some instruments this may be a desired effect of the policy, it also poses costs for economic activity, at least in the short-term. Moreover, by changing the relative attractiveness of different asset classes, these measures can also lead to risk-shifting and therefore promote the build-up (or deleverage) of risk taking in other sectors. Since the beginning of 2015, designated authorities started to identify banks as O-SIIs and impose an additional capital surcharge. The identification of the O-SIIs is mainly determined by a cutoff rule which automatically designates banks with a score above a certain threshold. This feature of the O-SIIs framework allows us to study the effects of the policy requirement with a difference-in-discontinuities design. Relying on confidential granular supervisory data, between 2014 and 2016, we find that banks constrained with O-SIIs buffers shifted their lending to less risky counterparts in the non-financial private sector. Yet, our findings suggest that the discontinuous policy change had very limited effects on the overall supply of credit. The analysis is focused on the short-run costs and our results may support policy-makers in the calibration of their policy action.

Large trade price impact on contrarian trades as a proxy of informed trades

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Abstract

This paper re-examines contrarian trades as a proxy of informed trades. Empirical analysis is applied to quotes and trades data of the Chinese CSI300 index component stocks over 2012 to 2014. By dividing each trading day into 48 five-minute intervals and employing this measure for all intervals of all stocks over the three years, an aggregated U-shaped intraday pattern of probability of informed trading (PIN) is found. However, when stratifying the trades into three size categories, an unconventional reversed U-shaped PIN from large-sized trades, in contrast the U-shaped ones from small- and medium-sized trades, is observed. Drawing from the mixed evidence with different trade sizes, the price impact of large-sized trades is further investigated. We examine the relationship between trade imbalances of large trades and unexpected returns, and find that large-sized trades have significant price impact. This implies that in those intervals featured with price impact from large trades, non-contrarian trades are more likely to be informed trades. Thus, we propose using non-contrarian trades as a proxy of informed trades in those intervals with price impact from large trades, and contrarian trades in other intervals. A remarkable U-shaped intraday pattern of PIN is demonstrated for large-sized trades from this modification. This is more consistent with a few hypotheses in the literature regarding the concentration of informed (as well as liquidity) trading at the open and close. Return reversal and information advantage tests for robustness also support the modified informed trading measure.

Insider trading in optioned acquirers under matching date condition: an Indian perspective

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Abstract

The study seeks to identify prevalence of insider trading around the merger and acquisition (M&A) announcements under matching date condition which arises when the M&A announcement date and option expiry date are proximate to each other. Proximity here means that either the M&A announcement and option expiry date exactly match each other or the M&A announcement is in the option expiry week (Ding, 2009). The key rationale behind the importance of matching date condition is that the insiders, willing to take advantage of material non-public information, are able to exploit more profitable opportunities through varied option strategies when the option expiry date is closer to the M&A announcement date. For this, the volume of 347 call options and 325 put options have been analyzed for the optioned Indian acquiring companies that have announced M&As during the years January 2011 to March 2017. The constant mean model of the event study methodology has been applied for analyzing the volume of call and put option around the M&A announcements. Firstly, we compare the average call/put volumes during different event windows with the benchmark period1 average volume. This is followed by the analysis of cumulative average abnormal volume (CAVOL) during different event windows. The results indicate that there is a significant difference between the average volume of benchmark period and average volume of sub-period -10 to -1 days for matching date sample. We also find that the cumulative average abnormal call/put volumes during ten days prior to the M&A announcement (that is during the event period -10 to -1) are more than 200% of the benchmark period average volume again in case of matching date sample. However, neither the average volume of call/put options nor the CAVOL show any significant variation during the same study window for the non-matching and nearly matching sample. Thus, the results indicate the prevalence of insider trading activities around M&A announcements specifically when there is a matching between M&A announcement date and option expiry dates. The results are robust with the alternative statistical tools like regression and t-test for significant difference in CAVOLs across samples The study contributes to the existing literature by exploring the possibility of insider trading when M&A announcement date and the option expiry date are proximate to each other. This will help in guiding the traders and the regulators in gauging the prevalence of the insiders in options market around the M&A announcements

Does Size Matter for Regulators? The Effectiveness of the SME Supporting Factor

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Abstract

We examine whether the SME supporting factor, introduced to ease the access of SMEs to bank loans, is fairly calibrated. After assessing the consistency of capital requirements with the riskiness of banks with credit exposures to micro, small and medium firms (MSMEs), our contribution goes into the distortion inherent in the Basel III formula of capital requirements between companies of different sizes. We then focus on the effectiveness of the capital relief produced by the MSME supporting factor. Finally, we show the contribution of each size class of companies to the capital requirements. Our findings show that although the supporting factor represents a suitable instrument aimed at supporting SMEs? credit access, sizeable differences remain when comparing RWAs by regime and firm size by computing the difference between estimated empirical values and regulatory ones, whatever the approach. The results depend on two factors: first, estimated asset correlation values are much lower than regulatory ones, and second, the inverse relationship between asset correlation and risk underlying Supervisory Formula does not hold.

Analysis of the International Hardwood Industry to Identify Opportunities for a Company in the South African Market.

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Abstract

Growth in the South African economy are stimulated by the government and individual organisations through various strategies and export development. Trade and Investment South Africa (TISA) is mandated, by the Department of Trade and Industry, to grow the export base and increase exports from South Africa by developing a streamlined approach to export. Forestry is one of the key drivers of the South African economy with specific reference to the development of the rural areas where unemployment is disproportionately high. South Africa?s commercial plantation forestry is approximately 1.5 million hectares, equal to 1.2 % of the total area, but, regardless of the relative small percentage, the commercial plantations produces 2.8 million tons of pulp (1.63% of global supply), 2.1 million tons of paper (0.76% of global supply), and 1.3 million of sawn timber (0.3% of world supply) (www.daff.gov.za). A forest development strategy is followed resulting in the indigenous forests never been cut while the country uses plantation forests as a source of timber. This resulted in South Africa being almost totally self-sufficient for wood and wood-based products with the industry planting 360 000 trees every working day, a total of 90 million trees a year. The plantation forestry consists of hardwood and softwood. Approximately 63% of the plantation area is owned by private forestry companies such as Mondi, Sappi, Merensky Timber?s plantation and HL & H. The usages of hardwood is being widespread and increasing. The sawmill industry in the planted plantation forestry, South Africa, seeks to grow export into countries with possibilities. This should perceptibly be directed at specific countries where the need exists. With the countries identified, the hardwood industry will be able to ascertain the opportunities available to enter the global market. The need exists to spesialise with hardwood to perceptible European markets. Although Africa, Asia, Australia as well as the United States and the BRICS countries (Brazil, Russia, India and China) as possibilities were pondered upon, the European market seems to be the most favourite to distribute the hardwood. A valuable, attributable study to identify the countries, within the European Union, to enter with profitable possible market opportunities is needed. This must be within the already established hardwood manufacturing, leading to growth and expansion in a new market as part of a strategic management decision. The decision making process is an enthralling process that needs a decision support model to come to a conclusion, in this case the markets to enter as well as the products within the hardwood industry. After consideration various DSM?s and starting from the assumption that all the countries in the world are potential markets for hardwood and all should be entered into the screening procedure, a specific decision support model will be developed for

exporting hardwood to selected countries. This model will be designed to reach a decision allowing: ? multiple criteria with multi-level hierarchy; ? the involvement of several decision makers in group decision making; ? the decision makers? opinions, expressed in linguistic terms. A Decision support Model consisting of values, with variables, added to each of the variables, will be built to determine the most positive value and hence the most favourable export country. After the model is designed and tested, the results will supply information to be used specifically by Merensky. Merensky Timber, a private company owned by Hans Merensky Holdings (Pty) Ltd, is an organisation considering export hardwood. The information generated will also add to the academic knowledge base. This decision support model will be acknowledged as a decision making tool in strategic management. It is applicable to similar problems and opportunities for organisations or industry such as the softwood market.

Mental Accounting and Loan Preference -A Social Media Survey in Vietnam

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Abstract

Past experiments conducted in developed countries or on well-educated subjects predict that mental accounting influences consumer credit decisions. In this paper, a survey is conducted through the social platforms in Vietnam, a developing country, and examines mental accounting behaviours in loan preferences. We aim to give insights on the characteristics of consumers who have mental accounting tendency when making credit decisions. The findings show that in Vietnam, female, old (>40 years), and high education level subjects are more prone to this behaviour bias. This can give both marketing and policy implications on consumer credit.

Stock market sentiment in China: the Baidu Index method

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Abstract

In this paper we develop a new way of measuring the sentiment of the investors by applying Baidu Index. The Chinese equivalent of Google dominates the mainland China search engine market with a share of 74.4% in January 2016, according to AJPR. While Google Trends generates relative search volumes, scaled from 0 to 100 based on relevant time and location parameters, Baidu Index reports absolute search data that do not change with the time and location specified. Preis et al. (2013) have proven that search engine query statistics have significant relationship with trading behavior. Our key assumption, therefore, is that the Baidu indices related to stock market have significant influence on stock market returns and volatilities.

The Impact of Corporate Cultural Distance on Mergers and Acquisitions

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Abstract

We study the effect of corporate cultural distance between acquirers and targets on mergers and acquisitions based on our unique corporate culture data and using a sample of 220 domestic and cross-border international deals announced between 2004 and 2012. Our results show that deals with larger corporate cultural distance have lower acquirer cumulative abnormal returns (CARs) around the deal announcements, lower synergy returns and lower long-run stock performance. These results provide evidence for the ?cultural clashes? theory documented in the previous literature and suggest that market perceives corporate cultural distance as a major risk in the post-acquisition integration process. Furthermore, we find that corporate cultural distance reduces the probability of deal completion and increases the time taken to complete a deal, reflecting the existence of negotiation frictions under cultural disparity. In addition, the percentage of payment made by stock is found to be lower for deals with larger corporate cultural distance. The results are robust after controlling for national cultural distance and also firm and deal characteristics. This is the first study that formally looks into the effect of corporate culture on M&A. We conduct a comprehensive event study and demonstrate that corporate cultural distance has a substantial impact on multiple aspects of M&A.

Change in Sharia Screening Methodology and Share Price Informativeness

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Abstract

Sharia compliant status gives assurance to Sharia based investors that their investment is in compliance with Islamic values. The implementation of new Sharia screening methodology, which is more demanding than the previous one, has significant impact on price informativeness in the Kuala Lumpur Stock Exchange (KLSE). We find that Sharia compliant firms have significantly greater return synchronicity after the new screening methodology is implemented. Our findings suggest that the implementation of the new screening methodology leads Sharia compliant firms to impound global and local market information. We also find that Sharia compliant firms with greater government ownership and CEO duality impound global and market information faster, respectively.

Why Do Firms (Dis)Like Part-Time Contracts?

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Abstract

This paper investigates the full-time/part-time wage gap by using matched employer-employee data on the entire population of workers and firms in Italy over a 32-year period. Relying on regression models that control for worker, firm, and match fixed effects, we find that part- time work attracts a wage premium compared to full-time work. This finding, coupled with the detrimental effect of part-time work on productivity documented by Devicienti et al. (2018), explains why firms are often unwilling to concede part-time positions to employees asking for them.

The Value of Implicit Political Connections

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Abstract

Taking advantage of a unique dataset containing rich information on the social ties of top management team (TMT) for Chinese listed firms, we introduce a new measure capturing the strength of implicit political connections (IPC), measuring political resources from TMT social ties. More specifically, IPC measures how many political connected colleagues that TMT has. We find implicit political connection improve firm value. Further, firms with higher implicit political resources or direct political connection (political connection owned by TMT) also pay higher payment to their top management teams, especially in the case of non-SOEs. Our findings are robust to controlling for the potential endogeneity by using (i) conventional IV methods based on the distance from firms? headquarters to China?s capital (Beijing) and to the provincial government building (ii) a ?synthetic? instrument. Overall, our results suggest that implicit political connection is more important than direct political connection in terms of firm value addition.

Will Safety and Revenue Concerns Affect Credit Rating Herding?

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Abstract

We investigate how a credit rating agency?s safety and revenue concerns affect credit ratings decisions. The safety concern motivates agencies to follow the ratings of other agencies, creating the sequentially symmetric rating herding. The revenue concern motivates agencies to upgrade their ratings to attract customers when their ratings are lower than their rivals. This is the asymmetric rating herding. Using S&P, Moody?s and Fitch rating data, first, our results show that agencies systematically consult their rivals? ratings. Second, agencies change the rating standard from revenue concern pre-crisis period to safety concern amid and post-crisis periods. Third, the results still support safety concern even when an agency and their rival?s ratings are across investment- and speculative-grade regimes.

Macroeconomic Influence on Stock Market Indices: Evidence from Colombo Stock Exchange Sector Indices

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Abstract

This study examines the impact from macroeconomic variables on Colombo Stock Exchange sector price indices. Respective monthly data are analyzed for the period from January 2007 to December 2016 employing Vector Auto-regressive (VAR) and Auto-regressive Distributed Lag (ARDL) Models. The changes in contemporaneous Exchange Rate and the one period lagged Crude Oil Price have a significant influence on changes in the Manufacturing and Plantations Sectors? price indices respectively in the short and long-run. Changes in the contemporaneous Inflation Rate and the one period lagged Exchange Rate have a significant influence on changes in the Trading Sector price index in the short run. The changes in contemporaneous Interest Rate and the one period lagged Exchange Rate have a significant influence on changes in the Telecommunication Sector price index in the short and long-run respectively.

Risk Aversion and Risk Capacity among Japanese Households Financial Assets

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Abstract

It is well known that Japanese households keep approximately JPY1,800 trillion financial assets, half of which are held in bank deposits yielding zero interest rate while only 18% are in risky assets such as stocks and mutual funds. Is it simply because Japanese people are excessively risk-averse or constrained by risk-capacity? We decomposed National Survey of Family Income and Expenditure 2014 data into two household categories; employed and non-employed, and compared them by age, income, and regions. We found that amount of risky assets in total financial assets is higher among non-employed and elderly people. But proportion of risky assets by income level shows similar between employees and non-employees. This partly presents contrary evidence to personal life-cycle investment programs often proposed by academics and financial advisors. Japanese households? risk capacity is constrained while being employed but may be less risk averse after retirement or being non-employed. These findings support ?behavioral? life-cycle portfolio theory as proposed by Meir Statman and others.

Data Snooping in Equity Premium Prediction

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Abstract

We study the performance of a comprehensive set of equity premium forecasting strategies that have been shown to outperform the historical mean out-of-sample when tested in isolation. Using a multiple testing framework, we find that previous evidence on out-of-sample predictability is primarily due to data snooping. We cannot identify any forecasting strategy that produces robust and statistically significant economic gains after controlling for data snooping biases and transaction costs. By focusing on the application of equity premium prediction, our findings support Harvey?s (2017) more general concern that many of the published results in financial economics will fail to hold up.

Cross-border Workers and Financial Instability: a frequency domain causality analysis applied to the Luxembourg Financial Center

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Abstract

This paper aims to examine the causal relationship between workers (cross-border and resident workers) and financial instability in the Luxembourg financial center, with Granger causality test in the frequency domain. The evidence shows that cross-border workers are more sensible to financial shocks than resident workers as well as the causal is a ?nonlinear? reaction: one smooth at short term and a second one more structural at long term.

Essays in innovative risk management methods based on deterministic, stochastic and quantum approaches

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Abstract

The analysis carried out aims to contribute to overcoming the current business valuation logic as prevalently set by banks and other credit entities or, more generally, within risk capital markets. In fact, rigorous deterministic valuations ? essentially based on indices and ratios ? are applied in banking practice; furthermore, accounting models are poorly indicative of the correct money-credit-production-income mechanisms. This research is structured in three chapters which offer reform proposals on the methods of evaluation of companies and the relative solidity or probability of insolvency. Each of the themes treated has its own identity. However, they are integrated in the orientation to the development of problems related to bank risk management and to the related creditworthiness assessments. The first proposal follows the deterministic approach, though going beyond the mere application of static indicators and going in particular to deepen the income aspects of the companies being evaluated, with mathematical measures designed to normalize the expected flows and define the ?extended present value?. The second chapter will evolve the treatment of stochastic dynamics, in particular explaining the reasoning through the contribution that can be offered to the problem by the Markov chains. Finally, a heterodox point of view will be offered, which seems particularly interesting in risk assessments on microcredit implementations. It is through the application of theoretical concepts of quantum macroeconomics and the consequent innovative, scientific emanations in terms of money, output and income, that it is logically proven how the financing of any production activity comes from the production itself. According to these assumptions, the credit that (micro)firms benefit from has its origins in the firm?s own production. The risks associated with the activities of financial intermediaries, that is manifestation of insolvency, would be strongly reduced by implementing the necessary reorganization of the accounting systems.

Credit Spread at the Issuance - Disparity between Japanese Domestic Bond and Foreign Bond

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Abstract

This article is the empirical study of the credit spread difference between Japanese domestic bonds and foreign bonds on primary issuance. Under the no arbitrage conditions, there is no difference between credit spreads even though the bonds issued in different currencies in the same circumstances because the interest parity works on and the credit spreads must stand for the credit risk of the issuers. This paper provides the physical evidences. Our procedure is as follows. First, we have gathered data of interest rate, credit spread, amount, maturity, debt ratio, based sovereign bond, and market data both in Japan and in United States. After that, we made the empirical study using regression analyses. In consequence, we found that there is a difference in credit spread between Japanese domestic bonds and foreign bonds because the foreign bonds are more affected by its leverage ratio and external environment such as market data. Furthermore, foreign bonds are more affected by and its credit spreads are reduced by its macro economy. We made an additional empirical study about the effect of currency, we found the foreign bonds are more affected by and its credit spreads are increased by currency.

The Relevance of Ownership Structure for Long-lived Companies in Taiwan

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Abstract

This paper studies the ownership structure of long-lived companies. Through extensive search of all of the firms founded before 1966 and listed on the Taiwan Stock Exchange, we collect information on 111 long-lived firms in our study. We employ T-test, the Wilcoxon signed rank test, and Logit regression to study the ownership structure of the long-lived companies. In addition, we find that bankers, institutional investors, and foreign investors like to invest in the stocks of long-lived companies.

A comparative analysis of the path followed by two uneven economies in size, China and Taiwan, to entering the knowledge economy

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Abstract

In the second half of the 20th century, some Asian economies would make an unexpected leap. South Korea, Singapore, Taiwan and the todaySpecial Administrative Region of Hong Kong, achieved economic growth rates even above those known by the most industrialized countries, rates between 5% and 6% as well as Japan. In the last quarter of the century would bounce into a sleeping giant, the People's Republic of China theh will know rates between 7% and 10% from the decade of the 80s. This paper seeks to compare the institutional and policy mechanisms that have allowed Republic of China (Taiwan) and the People's Republic of China to reach the levels of technological, economic and social development, which ranks first among the countries with the greatest technological innovation, and the later as the second world economy, pointing out its similarities and differences in their respective strategies, being economies with marked differences in many aspects: geographic size, population size, political regime, among others.

Tax Consequences of Corporate Pension Management Strategies

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Abstract

We analyze the impact of taxation on funding decisions and investment strategies for defined benefit corporate pension. Taxation for pension plans differs from that for corporate accounts. Previous studies have stated a preference for large funding and small investment risk. However, given the priority subordinate structure among pension beneficiaries, bondholders, and shareholders, the results of previous studies cannot always be optimal. Depending on circumstances, we find that the opposite result may occur. Many pension funds are underfunded and invest in a certain proportion of stock. The difference in the reality of pension plans and traditional understanding could be the result of weak traditional theory.

The Exchange Risk on the U.S. International Bond Market

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Abstract

This paper explores whether various economic variables improve monthly bond re-turn. We apply the International Arbitrage Pricing Theory. The currency movements affect asset?s yield and associated risk premiums. The International Arbitrage Pricing Theory is based on a total return of asset decomposition to non-currency return and currency return. We analyze factors affecting corporate bond prices. Using a rich mi-croeconomic dataset from Morningstar and macroeconomic data, we employ OLS mod-els with fixed effects. Using the yield to maturity of corporate bonds for the 2001-2017 period, this study investigates whether including various economic variables in predic-tive regressions improves the forecasts for monthly U.S. corporate bond return. In the basic analysis indicates that free-risk rate, interest rate and inflation cause bond return. The further analysis show that the exchange risk is important factor affecting bond yield. Results support a predictive relationship between bond yields and several eco-nomic variables in a certain historical period.

The simplistic model to estimate the required amount of the bank?s loss absorbing capacity.

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Abstract

The issue of the bank?s loss absorbing capacity has been extensively discussed in recent years. That discussion has been triggered by the idea of ?bail-in? ? the use of certain bank's liabilities to cover the losses and recapitalization, in case when the value of the bank?s equity is insufficient. Therefore one of the most important questions is how to set up the requirement on the amount of the bank's loss absorbing capacity (LAC). However, the major part of the publication concerns the ideas endorsed by the various authorities and their consequences. In contrast, this paper is focused on the very primary rules that have to be fulfilled in order to get a resolution process feasible without capital support from the state. The core of this paper is the simplistic quantitative model that explains the bindings between the shock extent and the need of the bank?s capital and bail-in able debt in various resolution paths (liquidation, P&A, recapitalization). The presented approach allows to appraise the required amount of LAC and may play a supporting role in selecting the preferred resolution path.

Behavioural attention to tax news

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Abstract

We investigate the link between stock returns, fundamental signals, market risks and behavioural attention to specific fiscal acts at the US stock markets. The Behavioural Attention represents actions emphasizing importance of information followed by information-selection behaviour. Using the Google search activity and the frequency of articles in 10 leading U.S. newspapers we focus on impact of selected tax news on 5,000 US stocks in 2004?2017.

Employee Rights and Dividend Policy around the World

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Abstract

This paper explores the relationship between employee rights and dividend policy across countries. Using labor right index as a proxy for agency costs of employees, we test the association between labor rights and dividend policies across countries. The empirical results reveal that labor rights are negatively related to firms? decision to pay dividends and dividend payment amounts. This relationship is reinforced to be more salient in civil countries where shareholder rights are weak. The empirical results are robust by controlling for test model specification, and a series of country-level control variables.

Could Omega Ratio perform better than Sharpe Ratio?

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Abstract

In this paper, we will investigate whether there is any Sharpe ratio rule or Omega ratio rule that can be used to show that one asset outperforms another asset if it has a higher Sharpe ratio and/or Omega ratio. We find that Sharpe ratio rule could not detect preference of both risk averters and risk seekers in some strong dominance cases. We set up the Omega ratio rule and find that the Omega ratio rule is better than the mean-variance rule because the former could the former can detect the first order stochastic dominated asset but the latter cannot. We also show the superiority of the Omega ratio rule over any Sharpe ratio rule by using hedging funds data and discuss the advantage of using the Omega ratio rule to stochastic dominance rule.

Environmental, Social and Governance (ESG) performance and sovereign bond spreads: An empirical analysis of OECD countries

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Abstract

We study if and how non-financial and non-economic factors relate to the determinants of borrowing cost in international capital markets? More specifically, we consider to what extent Environmental, social and governance (ESG) performance can affect sovereign bond spreads. We establish that countries with good ESG performance tend to have less default risk and thus lower bond spreads. Second, we examine the relevance of separate ESG dimensions and find that the environmental dimension appears to have no impact whereas governance and social factors do so. Further, it shows that governance weighs more than social factors. Next, we examine cross-countries differences and find that ESG performance has a more significant and stronger impact in the Eurozone than elsewhere in the OECD. Last is that during the global financial crisis there is much stronger influence of ESG performance than in non-crisis periods.

THE EFFECT OF SOCIAL MEDIA MARKETING TOWARDS PURCHASE INTENTION

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Abstract

The aim of this research is to examine the interaction among social media marketing, trust, brand image, and purchase intention variables. This study uses a quantitative approach to test the proposed hypotheses. Causal research design is used in this research to identify cause and-effect relationship between each construct. Primary data collection is used to gather data. Limited studies have investigated the effect of social media marketing towards consumers? purchase intention in Indonesia. New marketing communication method provide new opportunities and challenges for companies because purchase intention is gradually influenced by the use of social media by consumers. When consumers want to make a decision to buy, consumers today rely on their social media. This study provides a better understanding about important factors that influences Indonesian consumers to use services in mobile commerce sector. This research limits the respondents only in Indonesia, with GO-JEK as a case study.

The Influences of 4P Mix Marketing on Repurchase Intention of Indonesian Convenience Stores in Taiwan

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Abstract

Purpose ? The purpose of this study is to explore factors influencing the repurchase intention of Indonesia convenience store in Taiwan with the mediating effect of customer loyalty. Design/methodology/approach ? This study uses a quantitative approach to test the hypotheses. Besides, this study also uses causal research design to determine cause-and-effect relationship between construct. Primary data collection is used to round up data Originality/value ? Limited studies have examined a general construct of repurchase intention related to Indonesian convenience store. This study provides the better understanding of key factors influencing consumers to repurchase in Indonesia convenience store. Research Limitations - This research limits the respondents only in Taiwan with Indonesia citizenship and Indonesian convenience store as the object. Practical implications ? The study will help to understand what factors became basic consideration related to repurchase intention toward Indonesia convenience store. Furthermore, it will also give explanation and evidence how far each variable influence repurchase intention.

Consumer Perception on ?Korean Wave? that using by Korean Beauty Vlogger Affected Consumer Consumption to Repurchase Intention (A Case Study on althea.kr)

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Abstract

Purpose ? The purpose of this paper is to determine the relationship between beauty Vlogger and consumer perception to repurchase Korean beauty product from online shop althea.kr. Design/methodology/approach ? This study uses a qualitative approach to test the proposed hypotheses. Causal research design is used in this research to identify cause-and-effect-relationship between construct. Primary data collection is used to gather data. Originality/value ?Limited studies have examined a general construct of repurchase intention related to Korean beauty product. This study provides the better understanding about consumer?s perception to repurchase Korean beauty product. Research Limitations ?This research limits the respondents only in Indonesia especially who uses Korean beauty product from althea.kr. Practical implications ?Beauty product is the most important tools to support the appearance, but not only from beauty shop in the mall, online shop is the most popular choice today.