SIXTEENTH ANNUAL CONFERENCE
MULTINATIONAL FINANCE SOCIETY

http://mfs.rutgers.edu

Organized by

Faculty of Management and Economics
Cyprus University of Technology, Cyprus

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University of Crete, Greece

Rotman School of Management
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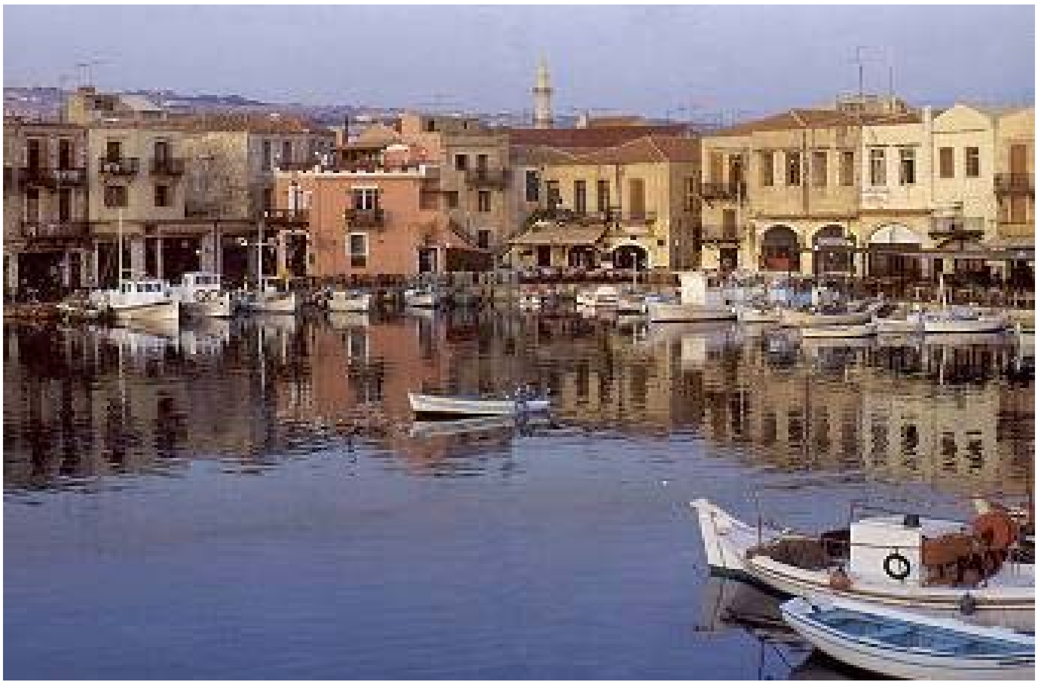

June 28 - July 1, 2009
Aquila Rithymna Beach Hotel
Rethymno, Crete, Greece

SIXTEENTH ANNUAL CONFERENCE OF THE MULTINATIONAL FINANCE SOCIETY
June 28 - July 1, 2009, Rethymno, Crete, Greece

Keynote Speakers

Michael Brennan - UCLA Anderson, USA and London Business School, UK
Haim Levy - Hebrew University of Jerusalem, Israel
Matthew Spiegel - Yale University, USA

Conference Objective

The objective of the conference is to bring together academic researchers, educators and practitioners from various international institutions to focus on timely financial issues and research findings pertaining to industrialized and developing countries.

Multinational Finance Society

The Multinational Finance Society is a non-profit organization established on June 15, 1995 for the advancement and dissemination of financial knowledge, philosophies, techniques and research findings pertaining to industrialized and developing countries among members of the academic and business communities. Membership in the Society is open to all faculty members of higher learning institutions interested in multinational finance and the objectives of the Society.

Program Chairs

Laurence Booth (Chair) - University of Toronto, Canada
Panayiotis Theodossiou - Cyprus University of Technology, Cyprus
Dikaios Tserkezos - University of Crete, Greece

Program Committee

Panagiotis Alexakis - University of Athens, Greece
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George Athanassakos - University of Western Ontario, Canada
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Edgar Ortiz - UNAM, Mexico
Seppo Pynnonen - University of Vaasa, Finland
Andreas Savvides - Cyprus University of Technology, Cyprus
Frank Skinner - University of Surrey, UK
Peter Spencer - York University, UK
Sudi Sudarsanam - Cranfield University, UK
Samuel H. Szewczyk - Drexel University, USA
Richard Taffler - University of Edinburgh, UK
Andre Thibeault - Vlerick Leuven Gent School of Management, Belgium
Stavros Thomadakis - University of Athens, Greece
Uzi Yaari - Rutgers University, USA
Constantin Zopounidis - Technical University of Crete, Greece

LETTER FROM THE PROGRAM CHAIRS

Dear Colleagues:

Welcome to the Sixteenth Annual Conference of the Multinational Finance Society (MFS). This year as never before the Conference provides a venue for discussing the significant changes that have occurred since our last meeting and how this informs both our research and understanding of finance. At this critical time in the global financial system we have a unique opportunity to discuss with old and new colleagues alike how the crisis has affected financial markets and professional practices in different countries around the world. Never has the value of objective considered judgement that we bring to the table been more highly valued and hopefully the conference can enhance our own human capital.

The Society's mission, as well as our program is multinational in scope and designed around the key functional areas of finance. We are lucky this year in having a broad program covering papers in corporate finance, investments, financial institutions and markets, derivative securities and risk management, as well as the linkages across markets that have been so evident over the last year. We are particularly lucky to have special sessions on value investing organized by Professor George Athanassakos which will serve to remind us of the importance of fundamental analysis and traditional due diligence, rather than the simplistic idea of outsourcing judgment to others such as the bond rating agencies, which has been a factor in generating such a huge loss in wealth.

This year, the Multinational Finance Society is again offering special tutorial lectures for advanced finance doctoral students working on their dissertations and back by popular demand is Professor James McDonald with a lecture on "Probability Distributions in Finance: Estimating VaR and Pricing" We are also especially lucky to have three truly distinguished speakers in, Matt Spiegel, Michael Brennan and Haim Levy: no doctoral seminar would be complete without a sprinkling of papers by these three!

We have a fabulous location and superb speakers but none of this would matter without the significant hard work and support behind the scenes. We have had generous support from the Faculty of Management and Economics at the Cyprus University of Technology, the Department of Economics at the University of Crete, Greece, the Rotman School of Management at the University of Toronto, Canada and several Greek financial institutions which are recognized in this conference booklet. On behalf of everyone involved we would like to thank these institutions as well as the program committee for all their hard work. It has been a tough year with so many travel budgets being cut and attendance uncertain right to the end, so if your discussant is still at home, chill out and join your colleagues by the pool to discuss more weighty issues. We always tell our students that there is as much value to be discussing issues outside the classroom as in, so let's listen to ourselves.

We hope everything works out well and you have a stimulating conference.

The Program Chairs

Laurence Booth, University of Toronto
Panayiotis Theodossiou, Cyprus University of Technology
Dikaios Tserkezos, University of Crete

GENERAL INFORMATION

CONFERENCE REGISTRATION

Saturday, June 27	5:00 p.m. - 10:00 p.m.
Sunday, June 28	8:30 a.m. - 11:00 a.m. & 8:30 p.m. - 11:00 p.m.
Monday, June 29	8:00 a.m. - 4:00 p.m. & 6:30 p.m. - 8:00 p.m.
Tuesday, June 30	8:00 a.m. - 4:00 p.m. & 6:30 p.m. - 8:45 p.m.
Wednesday, July 1	8:00 a.m. - 10:00 a.m.

ORGANIZING INSTITUTIONS

Faculty of Management and Economics
Cyprus University of Technology, Cyprus

Department of Economics
University of Crete, Greece

Rotman School of Management
University of Toronto, Canada

CONFERENCE INQUIRIES

Global Business Publications
Email: mfs@camden.rutgers.edu

REFRESHMENTS, LUNCHEONS AND RECEPTIONS

Sunday, June 28

Tour of the Area with Lunch (Buses leave at 11:00 a.m.)	11:00 a.m. - 8:00 p.m.
Meeting of the Board of Directors and Trustees	8:30 p.m. - 9:30 p.m.

Monday, June 29

Luncheon and Keynote Speech (Restaurant)	12:15 - 2:15 p.m.
Refreshments	4:00 - 4:15 p.m.

Tuesday, June 30

Luncheon and Keynote Speech (Restaurant)	12:15 - 2:15 p.m.
Refreshments	4:00 - 4:15 p.m.
Keynote Speech (Megas Alexandros)	7:30 - 8:30 p.m.
Greek-Gretan Night (Dinner) (Pool Area)	9:00 - 12:00 p.m.

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Rethymno CRETE
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Faculty of Management and Economics
Cyprus University of Technology, Cyprus

Department of Economics
University of Crete, Greece

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LIST OF SESSIONS

Monday 8:30-10:15

Session 1	Greek Markets	Salon Achilles
Session 2	Asset Pricing I	Salon Poseidon
Session 3	Credit Risk Modeling I	Jason
Session 4	Dividends I	Odysseas
Session 5	Earnings	Megas Alexandros

Monday 10:30-12:15

Session 6	Banking I	Salon Achilles
Session 7	Methodology	Salon Poseidon
Session 8	Equity Costs	Jason
Session 9	Emerging Markets	Odysseas
Session 10	FX Hedging	Megas Alexandros

Monday 2:15-4:00

Session 11	The Value Premium	Salon Achilles
Session 12	Valuation	Salon Poseidon
Session 13	Option Applications	Jason
Session 14	Long-Term Dynamics	Odysseas
Session 15	Debt & Stock Prices	Megas Alexandros

Monday 4:15-6:00

Session 16	Market Inefficiencies	Salon Achilles
Session 17	Banking II	Salon Poseidon
Session 18	Microstructure I	Jason
Session 19	Portfolio Construction	Odysseas
Session 20	Credit Risk Modeling II	Megas Alexandros

Tuesday 8:30-10:15

Session 21	Governance I	Salon Achilles
Session 22	Ownership	Salon Poseidon
Session 23	Capital Structure	Jason
Session 24	Futures Markets	Odysseas
Session 25	Restructuring	Megas Alexandros

Tuesday 10:30-12:15

Session 26	Volatility	Salon Achilles
Session 27	Investments I	Salon Poseidon
Session 28	Information & Returns	Jason
Session 29	Asset Pricing II	Odysseas
Session 30	IPOs	Megas Alexandros

LIST OF SESSIONS

Tuesday 2:15-4:00

Session 31	Tutorial: Probability Distributions in Finance	Salon Achilles
Session 32	Spillovers II	Salon Poseidon
Session 33	Microstructure II	Jason
Session 34	Regulation & Disclosure	Odysseas
Session 35	Dividends II	Megas Alexandros

Tuesday 4:15-6:00

Session 36	Takeovers	Salon Achilles
Session 37	Manipulation	Salon Poseidon
Session 38	Investments II	Jason
Session 39	Commodities	Odysseas
Session 40	Topics in Derivatives	Megas Alexandros

Wednesday 8:30-10:15

Session 41	Mutual Funds I	Salon Achilles
Session 42	Interest Rates	Salon Poseidon
Session 43	Governance II	Jason
Session 44	International Finance	Odysseas
Session 45	Mutual Funds II	Megas Alexandros

Wednesday 10:30-12:00

Session 46	Implied Volatility	Salon Achilles
Session 47	Repurchases	Salon Poseidon
Session 48	Corporate Finance	Jason
Session 49	Hedging & Hedge Funds	Odysseas
Session 50	Politics and Markets	Megas Alexandros

Monday 8:30-10:15

SESSION 1 **Salon Achilles**

GREEK MARKETS
Session Chair: Benjamin Tabak - Banco Central do Brasil, Brazil

"Insider Trading and Ownership Structure: Evidence from the Athens Stock Exchange"
George N. Leledakis - Athens University of Economics and Business, Greece
Vassilis A. Efthymiou - Athens University of Economics and Business, Greece
Kallirroi Kontopoulou - Athens University of Economics and Business, Greece
Michail Nerantzidis - Athens University of Economics and Business, Greece

Discussant: Dimitrios V. Kousenidis - Aristotle University of Thessaloniki, Greece

"The Co-Movement Between Book and Market Value"
Dimitrios V. Kousenidis - Aristotle University of Thessaloniki, Greece
Anestis C. Ladas - University of Macedonia, Greece
Christos I. Negakis - University of Macedonia, Greece

Discussant: Theophano Patra - American College of Greece, Greece

"Financial Statement Ratios and Predictability of Stock Returns: Evidence from the Emerging Greek Market"
Christos Alexakis - University of Piraeus, Greece
Theophano Patra - American College of Greece, Greece
Sunil Poshakwale - Cranfield University, UK

Discussant: Panagiotis Alexakis - University of Athens, Greece

"Competitive Analysis of Greek Commercial Banks using the Relative Profitability and Growth Matrix"
Panayotis Alexakis - University of Athens, Greece
Ioannis Tsolas - National Technical University of Athens, Greece

Discussant: George N. Leledakis - Athens University of Economics and Business, Greece

SESSION 2 **Salon Poseidon**

ASSET PRICING I
Session Chair: Seppo Pynnonen - University of Vaasa, Finland

"The Role of Heterogeneity in Asset Pricing: The Effect of Clustering Approach"
Olesya V. Grishchenko - Penn State University, USA
Marco Rossi - Penn State University, USA

Discussant: Georgios Skoulakis - University of Maryland, USA

"Do Subjective Expectations Explain Asset Pricing Puzzles?"
Gurdip Bakshi - University of Maryland, USA
Georgios Skoulakis - University of Maryland, USA

Discussant: Robert Cressy - University of Birmingham, UK

"Do Size and Unobservable Company Factors Explain Stock Price Reversals?"
Robert Cressy - University of Birmingham, UK
Hisham Farag - University of Birmingham, UK

Discussant: Olesya V. Grishchenko - Penn State University, USA

"Trying to Interpret and Explain Shifts of Stock Returns through Asset Pricing Models: A Literature Review of Modern Financial Theory"
Kanellos Toudas - University of Patras, Greece
Nikolaos Gerantonis - University of Piraeus, Greece

Discussant: Katrin Gottschalk - Auckland University of Technology, New Zealand

SESSION 3 Jason

CREDIT RISK MODELING I

Session Chair: Petko S. Kalev - Monash University, Australia

"International Comparison of Value-at-Risk at Listed Banks: Parametric Versus Non-Parametric Model Selection"
Sheng-Hung Chen - Nan Hua University, Taiwan
Xue-Ting Chen - Nan Hua University, Taiwan

Discussant: George Christodoulakis - University of Manchester, UK

"Estimating Generalized Vasicek Credit Loss Distributions"
Enrique Batiz-Zuk - University of Manchester, UK
George Christodoulakis - University of Manchester, UK
Ser-Huang Poon - University of Manchester, UK

Discussant: Eliza Wu - University of New South Wales, Australia

"Do Sovereign Credit Ratings Influence Regional Stock and Bond Market Interdependencies in Emerging Countries?"
Rachel Christopher - University of New South Wales, Australia
Suk-Joong Kim - University of New South Wales, Australia
Eliza Wu - University of New South Wales, Australia

Discussant: Sheng-Hung Chen - Nan Hua University, Taiwan

"Semiparametric Estimation of Dynamic Conditional Expected Shortfall Models"
Juan Carlos Escanciano - Indiana University, USA
Silvia Mayoral - University Carlos III of Madrid, Spain

Discussant: Wantanee Surapaitoolkorn - Chulalongkorn University, Thailand

Monday 8:30-10:15

SESSION 4 **Odysseas**

DIVIDENDS I
Session Chair: Hans Bystrom - Lund University, Sweden

"How Corporate Governance Affects Dividend Policy Under Agency Problems and External Financing Constraints?"
Joon Chae - Seoul National University, Korea
Sungmin Kim - Hanyang University, Korea
Eunjung Lee - Hanyang University, Korea

Discussant: Bruce Rosser - University of Adelaide, Australia

"Evidence that Executive Stock Options are Partly Dividend-Protected"
Bruce Rosser - University of Adelaide, Australia
Jean Canil - University of Adelaide, Australia

Discussant: Yacine Belghitar - Middlesex University, UK

"The Information Content of Cash Flows in Dividend Policy Context"
Basil Al-Najjar - Middlesex University, UK
Yacine Belghitar - Middlesex University, UK

Discussant: Joon Chae - Seoul National University, Korea

SESSION 5 **Megas Alexandros**

EARNINGS
Session Chair: Simon Wolfe - University of Southampton, UK

"Determinants of the Quality of Disclosed Earnings and Informativeness Across Transitional Europe"
Sheraz Ahmed - Hanken School of Economics, Finland

Discussant: Qi Sun - California State University, USA

"Stock Price Reaction to Earnings News and Post-Earnings Announcement Drift"
Qi Sun - California State University, USA

Discussant: Dimitrios Gounopoulos - University of Surrey, UK

"Global Shipping IPOs Performance"
Andreas Merikas - University of Piraeus, Greece
Dimitrios Gounopoulos - University of Surrey, UK
Christos Nounis - University of Athens, Greece

Discussant: Sheraz Ahmed - Hanken School of Economics, Finland

Monday 10:30-12:15

SESSION 6 **Salon Achilles**

BANKING I
Session Chair: Panayotis Alexakis - University of Athens, Greece

"Ownership Structure, Market Discipline, and Banks' Risk Taking Incentives Under Deposit Insurance"
Jens Forssbaeck - Lund University, Sweden

Discussant: Ana Paula Matias Gama - University of Beira Interior, Portugal

"Does Trade Credit Facilitate Access to Bank Finance? Empirical Evidence from Portuguese and Spanish Small Medium Size Enterprises"
Ana Paula Matias Gama - University of Beira Interior, Portugal
Cesario Mateus - University of Greenwich Business School, UK
Andreia Teixeira - University of Beira Interior, Portugal

Discussant: Benjamin Tabak - Banco Central do Brasil, Brazil

"Linking Financial and Macroeconomic Factors to Credit Risk Indicators of Brazilian Banks"
Marcos Souto - International Monetary Fund, USA
Benjamin Tabak - Banco Central do Brasil, Brazil
Francisco Vazquez - International Monetary Fund, USA

Discussant: Jeffrey Ng - Massachusetts Institute of Technology, USA

"Market Pricing of Banks' Fair Value Assets Reported under SFAS 157 during the 2008 Economic Crisis"
Beng Wee Goh - Singapore Management University, Singapore
Jeffrey Ng - Massachusetts Institute of Technology, USA
Kevin Ow Yong - Singapore Management University, Singapore

Discussant: Jens Forssbaeck - Lund University, Sweden

SESSION 7 **Salon Poseidon**

METHODOLOGY
Session Chair: Matthew Spiegel - Yale School of Management, Yale University, USA

"Generalized Rank Test for Testing Cumulative Abnormal Returns in Event Studies"
James Kolari - Texas A&M University, USA
Seppo Pynnonen - University of Vaasa, Finland

Discussant: Dimitris K. Chronopoulos - University of Essex, UK

"Double Bootstrap Confidence Intervals in the Two-Stage DEA Approach"
Dimitris K. Chronopoulos - University of Essex, UK
Claudia Girardone - University of Essex, UK
John C. Nankervis - University of Essex, UK

Discussant: Silvia Mayoral - University Carlos III of Madrid, Spain

"Impact of Outliers on Stock Return Models: Implications for Event Studies and the Pricing of Risk"
Panayiotis Theodossiou - Cyprus University of Technology, Cyprus
Alexandra K. Theodossiou - Drexel University, USA

Discussant: Haim Levy - Hebrew University of Jerusalem, Israel

SESSION 8 Jason

EQUITY COSTS
Session Chair: Frank Skinner - University of Surrey, UK

"Valuation of Investments in Emerging Markets: Calculating the Cost of Equity for Four Latin American Countries"
Luise Holscher - Frankfurt School of Finance & Management, Germany
Cristobal Gevert - Parque Arauco S.A, Chile

Discussant: Pablo Fernandez - IESE Business School, Spain

"The Equity Premium Puzzle: High Required Equity Premium, Undervaluation and Self Fulfilling Prophecy"
Pablo Fernandez - IESE Business School, Spain
Heinrich Liechtenstein - IESE Business School, Spain

Discussant: Spyros I. Spyrou - Athens University, Greece

"Stock Price Reaction to M&A Announcements: Evidence from the London Stock Exchange"
Spyros I. Spyrou - Athens University, Greece
Georgia Siougle - Athens University, Greece

Discussant: William Dimovski - Deakin University, Australia

"The Costs of Raising Equity Capital by Renounceable Rights Issues in Australia"
Katherine Warren - Deakin University, Australia
William Dimovski - Deakin University, Australia

Discussant: Luise Holscher - Frankfurt School of Finance & Management, Germany

SESSION 9 Odysseas

EMERGING MARKETS
Session Chair: Andreas Savvides - Cyprus University of Technology, Cyprus

"Stock Market and Foreign Exchange Volatility in Emerging Economies"
Elena Andreou - University of Cyprus, Cyprus
Maria Matsi - University of Cyprus, Cyprus
Andreas Savvides - Cyprus University of Technology, Cyprus

Discussant: Christos S. Savva - Cyprus University of Technology, Cyprus

"Modeling Change in Financial Market Integration: Eastern Europe"
Nektarios Aslanidis - University Rovira Virgili, Spain
Christos S. Savva - Cyprus University of Technology, Cyprus

Discussant: David Morelli - University of Kent, UK

"Integration across the European Capital Markets: An Empirical Study based on an International Asset Pricing Model"
David Morelli - University of Kent, UK

Discussant: Ekaterini Panopoulou - University of Piraeus, Greece

"Detecting Shift and Pure Contagion in East Asian Equity Markets: A Unified Approach"
Thomas J. Flavin - National University of Ireland, Ireland
Ekaterini Panopoulou - University of Piraeus, Greece

Discussant: Andreas Savvides - Cyprus University of Technology, Cyprus

SESSION 10 **Megas Alexandros**

FX HEDGING
Session Chair: Richard Heaney - RMIT University, Australia

"Can the CFO Trust the FX Exposure Quantification from a Stock Market Approach?"
Tom Aabo - University of Aarhus, Denmark
Danielle Brodin - Danisco, Denmark

Discussant: Luis Otero Gonzalez - Universidad de Santiago de Compostela, Spain

"Analyses of Determinants of Exchange Rate Hedging With Foreign Debt Under Optimal Hedging and Capital Structure Theories"
Luis Otero Gonzalez - Universidad de Santiago de Compostela, Spain
Maria Milagros Vivel Bua - Universidad de Santiago de Compostela, Spain
Sara Fernandez Lopez - Universidade de Santiago de Compostela, Spain
Pablo Duran Santomil - Universidade de Santiago de Compostela, Spain

Discussant: Chia-Hao Lee - National Chung Hsing University, Taiwan

"Dynamic Correlation between Stock Prices and Exchange Rates"
Shuh-Chyi Doong - National Chung Hsing University, Taiwan
Chia-Hao Lee - National Chung Hsing University, Taiwan

Discussant: Puja Padhi - Indian Institute of Technology, India

"Constant and Dynamic Hedge Ratio Analysis: An Application to the Indian Stock Index Futures Market"
M.A. Lagesh - Pondicherry University, India
Puja Padhi - Indian Institute of Technology, India

Discussant: Tom Aabo - University of Aarhus, Denmark

LUNCHEON AND KEYNOTE SPEECH

12:15-2:15 p.m. Megas Alexandros

Professor Matthew Spiegel

Yale School of Management
Yale University, USA

A NEW TAKE ON FUND FLOW CONVEXITY BASED ON JENSEN'S INEQUALITY

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Monday 2:15-4:00

SESSION 11 — Salon Achilles

THE VALUE PREMIUM
Session Chair: George Athanassakos - The University of Western Ontario, Canada

"The Performance, Pervasiveness and Determinants of Value Premium in Different US Exchanges: 1986-2006 & Do Value Investors Add Value? Searching for and Finding Value: Canadian Evidence 1999-2007"
George Athanassakos - The University of Western Ontario, Canada

Discussant: Philip Gharghori - Monash University, Australia

"Value versus Growth: Australian Evidence"
Philip Gharghori - Monash University, Australia
Sebastian Stryjkowski - Monash University, Australia
Madhu Veeraraghavan - Monash University, Australia

Discussant: Robert D. Arnott - Research Affiliates, USA

"Clairvoyant Value and the Value Effect"
Robert D. Arnott - Research Affiliates, USA
Feifei Li - California Institute of Technology, USA
Katrina F. Sherrerd - Research Affiliates, USA

Discussant: Deniz Kebabci - San Francisco State University, USA

SESSION 12 — Salon Poseidon

VALUATION
Session Chair: Michael Doumpos - Technical University of Crete, Greece

"Do Target Shareholder Agreements Induce Bidders to Pay Higher Premiums?"
Francois Belot - Universite Paris-Dauphine, France

Discussant: Stella N. Spilioti - Athens University, Greece

"A UK Study of the Residual Income Valuation Model"
Stella N. Spilioti - Athens University, Greece
George A. Karathanassis - Athens University, Greece

Discussant: John Watson - Monash University, Australia

"Measuring Efficiency of Australian Equity Managed Funds: Support for the Morningstar "Star" Rating"
John Watson - Monash University, Australia
Jayasinghe Wickramanayake - Monash University, Australia

Discussant: Aline C. Muller - HEC Management School, Belgium

"Using Survey Data to Resolve the Exchange Risk Exposure Puzzle: Evidence from U.S. Multinational Firms"
Ron Jongen - Central Bank Netherlands, The Netherlands
Aline C. Muller - HEC Management School, Belgium
Willem F. C. Verschoor - Erasmus University of Rotterdam, The Netherlands

Discussant: Francois Belot - Universite Paris-Dauphine, France

SESSION 13 Jason

OPTION APPLICATIONS
Session Chair: Elvis Jarnecic - University of Sydney, Australia

"Option-based Sentiment for Portfolio Decisions"
Zahid Rehman - Nomura International PLC, UK
Grigory Vilkov - Goethe University, Germany

Discussant: David Michayluk - University of Technology, Australia

"Decomposing the Bid-Ask Spread of Stock Options: A Trade and Risk Indicator Model"
David Michayluk - University of Technology, Australia
Laurie Prather - Bond University, Australia
Li-Anne E. Woo - Bond University, Australia
Henry Y.K. Yip - School of Banking and Finance, Australia
William Bertin - Bond University, Australia

Discussant: Sol Kim - Hankuk University of Foreign Studies, Korea

"The Performance of Traders' Rules on KOSPI 200 Index Options"
Sol Kim - Hankuk University of Foreign Studies, Korea

Discussant: Grigory Vilkov - Goethe University, Germany

SESSION 14 Odysseas

LONG-TERM DYNAMICS
Session Chair: Eliza Wu - University of New South Wales, Australia

"Evaluating Currency Crises: A Multivariate Markov Regime Switching Approach"
Kostas Mouratidis - Sheffield University, UK
Dimitris Kenourgios - University of Athens, Greece
Aristidis Samitas - University of the Aegean, Greece
Dimitris Vougas - Swansea University, UK

Discussant: Photios C. Harmantzis - FX Concepts, USA

"Modeling Exchange Rate Movements with Cross-Markets and Macroeconomics Variables"
Photios C. Harmantzis - FX Concepts, USA
Linyan Miao - Stevens Institute of Technology, USA

Discussant: Javier Poblacion - Banco de Espana, Spain

Monday 2:15-4:00

"A Common Long-Term Trend for Crude Oil and Refined Products: An Application for Crack-Spread Option Valuation"
Andres Garcia Mirantes - IES Juan del Enzina, Spain
Javier Poblacion - Banco de Espana, Spain
Gregorio Serna - Universidad de Castilla-La Mancha, Spain

Discussant: Dimitris Kenourgios - University of Athens, Greece

"Bayesian Student-t GARCH Model for Asian FX Data"
Wantanee Surapaitoolkorn - Chulalongkorn University, Thailand

Discussant: Seppo Pynnonen - University of Vaasa, Finland

SESSION 15 **Megas Alexandros**

DEBT & STOCK PRICES
Session Chair: Robert Cressy - University of Birmingham, UK

"Dynamic Correlation Hedging in Copula Models for Portfolio Selection"
Denitsa Stefanova - VU University Amsterdam, The Netherlands
Redouane Elkamhi - University of Iowa, USA

Discussant: Dirk Baur - Dublin City University, Ireland

"A Quantile Regression Approach to Analyze Stock-Bond Correlations"
Dirk Baur - Dublin City University, Ireland

Discussant: Emmanuil Noikokyris - University of Essex, UK

"Monetary Policy Regimes and Stock Returns: Evidence from the UK"
Georgios Chortareas - University of Athens, Greece
John Nankervis - University of Essex, UK
Emmanuil Noikokyris - University of Essex, UK

Discussant: Anestis C. Ladas - University of Macedonia, Greece

Refreshments 4:00-4:15 p.m.

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Monday 4:15-6:00

SESSION 16 **Salon Achilles**

MARKET INEFFICIENCIES
Session Chair: George Athanassakos - The University of Western Ontario, Canada

"Style Investing with Uncertainty"
Deniz Kebabci - San Francisco State University, USA

Discussant: Joseph P. Ogden - University at Buffalo, USA

"Information in Balance Sheets for Future Stock Returns: Evidence from Net Operating Assets"
Georgios Papanastasopoulos - University of Piraeus, Greece
Dimitrios Thomakos - University of Peloponnese, Greece
Tao Wang - University of New York, USA

Discussant: Joseph Potvin - Treasury Board of Canada Secretariat

"Do Asset Pricing Anomalies have a Common Link? Empirical Analyses of Risk-Proxies, Cash Flows, and Stock Returns"
Julie Fitzpatrick - SUNY Fredonia, USA
Joseph P. Ogden - University at Buffalo, USA

Discussant: Georgios Papanastasopoulos - University of Piraeus, Greece

SESSION 17 **Salon Poseidon**

BANKING II
Session Chair: George Christodoulakis - University of Manchester, UK

"The Effect of Board Size and Composition on Bank Efficiency"
Maria-Eleni K. Agoraki - Athens University of Economics and Business, Greece
Manthos D. Delis - University of Ioannina, Greece
Panagiotis K. Staikouras - University of Piraeus, Greece

Discussant: Clovis Rugemintwari - University of Limoges, France

"Excess Capital of European Banks: Does Bank Heterogeneity Matter?"
Alain Angora - University of Limoges, France
Isabelle Distinguin - University of Limoges, France
Clovis Rugemintwari - University of Limoges, France

Discussant: Michael Doumpos - Technical University of Crete, Greece

"A Multicriteria Approach to Bank Rating"
Michael Doumpos - Technical University of Crete, Greece
Constantin Zopounidis - Technical University of Crete, Greece

Discussant: Simon Wolfe - University of Southampton, UK

"The Implications of Risk Transmission for Depositor Protection"
George McKenzie - University of Southampton, UK
Simon Wolfe - University of Southampton, UK

Discussant: Maria-Eleni K. Agoraki - Athens University of Economics and Business, Greece

SESSION 18 Jason

MICROSTRUCTURE I
Session Chair: Anna Zalewska - University of Bath, UK

"The Impact of Change in Tick Size Rule on Market Liquidity: Evidence from Australian Stock Exchange"
Mehdi Sadeghi - Macquarie University, Australia
Kai Zhang - Macquarie University, Australia

Discussant: Joseph Yagil - University of Haifa, Israel

"Price Limits And Informational Efficiency"
Tamir Levy - Netanya Academic College, Israel
Joseph Yagil - University of Haifa, Israel

Discussant: Elvis Jarnecic - The University of Sydney, Australia

"Institutional and Retail Participants in Options Markets: Liquidity and Position Taking Profits"
Elvis Jarnecic - The University of Sydney, Australia
Kevin Liu - The University of Sydney, Australia

Discussant: Asli Ascioglu - Bryant University, USA

"An Examination of Minimum Tick Sizes on the Tokyo Stock Exchange"
Asli Ascioglu - Bryant University, USA
Carole Comerton-Forde - University of Sydney, Australia
Thomas H. McInish - University of Memphis, USA

Discussant: Mehdi Sadeghi - Macquarie University, Australia

SESSION 19 Odysseas

PORTFOLIO CONSTRUCTION
Session Chair: Peter Carayannopoulos - Wilfrid Laurier University, Canada

"Taking Advantage of Global Diversification: A Mutivariate-Garch Approach"
Elena Kalotychou - Cass Business School, UK
Sotiris K. Staikouras - Cass Business School, UK
Gang Zhao - Cass Business School, UK

Discussant: Theodore Syriopoulos - University of the Aegean, Greece

"Hedge Funds: Investment Strategies and Return Performance"
Theodore Syriopoulos - University of the Aegean, Greece
Efthimios Roumpis - University of the Aegean, Greece

Discussant: Varouj Aivazian - University of Toronto, Canada

"Portfolio Choice Implications of Parameter and Model Uncertainty in Factor Models"
Deniz Kebabci - San Francisco State University, USA

Discussant: Eleni Thanou - Technical Institute of Larisa, Greece

"Temporal Aggregation and Systematic Sampling Effects in Testing Mutual Funds Portfolio Performance. Some Monte Carlo Results."
Eleni Thanou - Technical Institute of Larisa, Greece
Dikaios Tserkezos - University of Crete, Greece

Discussant: Elena Kalotychou - Cass Business School, UK

SESSION 20 **Megas Alexandros**

CREDIT RISK MODELING II
Session Chair: Laurie Prather - Bond University, Australia

"Financial Contracting and Re-Rating Experience, the Cases of Whole Make, Claw Back and other wise Ordinary Callable Bonds"
Frank Skinner - University of Surrey, UK
Dimitrios Gounopoulos - University of Surrey, UK

Discussant: Panayiotis C. Andreou - Durham University, UK

"Assessing Implied Volatility Functions on the S&P 500 Index Options"
Panayiotis C. Andreou - Durham University, UK
Chris Charalambous - University of Cyprus, Cyprus
Sprios H. Martzoukos - University of Cyprus, Cyprus

Discussant: Hans Bystrom - Lund University, Sweden

"The Age of Turbulence - Credit Derivatives Style"
Hans Bystrom - Lund University, Sweden

Discussant: Yang Liu - Cass Business School, UK

"A New Approach for the Dynamic Modeling of Credit Risk"
John Hatgioannides - Cass Business School, UK
Yang Liu - Cass Business School, UK

Discussant: Frank Skinner - University of Surrey, UK

Monday 7:00 - 7:30

KEYNOTE SPEECH

7:00-7:30 p.m. Megas Alexandros

Professor Joseph Potvin
Treasury Board of Canada Secretariat

BEYOND BEN GRAHAM'S CURRENCY PROPOSAL RETROSPECT AND EVOLUTION

RECEPTION WITH FOOD

7:30-8:30 p.m. Veranta

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and

Ben Graham Centre for Value Investing
Richard Ivey School of Business
The University of Western Ontario, Canada

(By invitation, only)

Tuesday 8:30-10:15

SESSION 21 **Salon Achilles**

GOVERNANCE I
Session Chair: Edgar Ortiz - Universidad Nacional Autonoma del Estado de Mexico, Mexico

"Decline, Turnaround, and CEO Turnover"
John D. Francis - San Diego State University, USA
Eleni Mariola - Iona College, USA
John F. Manley - Iona College, USA

Discussant: Zhenyu Wu - University of Saskatchewan, Canada

"Enterprise Risk Management and Financial Stability in Dual-Board Corporate Governance System"
Zhenyu Wu - University of Saskatchewan, Canada
Yuanshun Li - Ryerson University, Canada
Shujun Ding - York University, Canada
Chunxin Jia - Peking University, China

Discussant: Fayez A. Elayan - Brock University, Canada

"Backdating of Employee Stock Options: Signaling Effects for Corporate Governance and Internal Control Deficiencies"
Jingyu Li - Brock University, Canada
Fayez A. Elayan - Brock University, Canada
Thomas O. Meyer - Southeastern Louisiana University, USA

Discussant: John F. Manley - Iona College, USA

SESSION 22 **Salon Poseidon**

OWNERSHIP
Session Chair: Mehdi Sadeghi - Macquarie University, Australia

"A Re-Examination of Value-Creation through Strategic Alliances"
Uri Ben-Zion - Ben-Gurion University, Israel
Koresh Galil - Ben-Gurion University, Israel
Mosi Rosenboim - Ben-Gurion University, Israel
Hadas Shabtay - Tel-Aviv University, Israel

Discussant: Michael King - Bank for International Settlements, Switzerland

"Trading Places: Impact of Foreign Ownership Changes on Canadian Firms"
Michael King - Bank for International Settlements, Switzerland
Eric Santor - Bank of Canada, Canada

Discussant: George Georgopoulos - York University, Canada

"Ownership Structure and Corporate Performance: The Case of the Greek Shipping Firms"
Theodore Syriopoulos - University of the Aegean, Greece
Michael Tsatsaronis - University of the Aegean, Greece

Discussant: Koresh Galil - Ben-Gurion University, Israel

SESSION 23 — Jason

CAPITAL STRUCTURE
Session Chair: Oliver Meng Rui - Chinese University of Hong Kong, China

"Does Ownership Structure Matter? An Empirical Analysis of Capital Structure Choices and Firm Performance"
Dimitris Margaritis - AUT University, New Zealand
Maria Psillaki - University of Piraeus, Greece

Discussant: Minna Martikainen - Lappeenranta University of Technology, Finland

"Growth Strategies and Capital Structures of Small and Medium-Sized Enterprises"
Minna Martikainen - Lappeenranta University of Technology, Finland
Jussi Nikkinen - University of Vaasa, Finland

Discussant: Julinda Nuri - University of Surrey, UK

"Target Adjustment Model Against Pecking Order Model of Capital Structure: Evidence from UK Companies"
Julinda Nuri - University of Surrey, UK

Discussant: Maria Psillaki - University of Piraeus, Greece

SESSION 24 — Odysseas

FUTURES MARKETS
Session Chair: Markus Leippold - University of Zurich, Switzerland

"Migration of Trading and the Introduction of Single Stock Futures on the Underlying U.S. Stocks"
Andre F. Gygax - University of Melbourne, Australia
Thomas Henker - University of New South Wales, Australia
Wai-Man Liu - University of New South Wales, Australia
Kok Wen Loong - University of Melbourne, Australia

Discussant: Tomasz Piotr Wisniewski - University of Leicester, UK

"Speculating on Presidential Success: Exploring the Link between the Price-Earnings Ratio and Approval Ratings"
Tomasz Piotr Wisniewski - University of Leicester, UK
Geoffrey Lightfoot - University of Leicester, UK
Simon Lilley - University of Leicester, UK

Discussant: Barry O'Grady - Curtin University of Technology, Australia

"Commodity Futures and Momentum Trading: Implications for Behavioral Finance"
Barry O'Grady - Curtin University of Technology, Australia
Dan Calder - Curtin University of Technology, Australia

Discussant: Thomas Henker - University of New South Wales, Australia

SESSION 25 **Megas Alexandros**

RESTRUCTURING
Session Chair: Ephraim Clark - Middlesex University, UK

"Second Events in Equity Carve-Outs"
Paolo Colla - Universita Commerciale L. Bocconi, Italy
Filippo Ippolito - Universita Commerciale L. Bocconi, Italy

Discussant: Seung Hun Han - Korea Advanced Institute of Science and Technology, South Korea

"Internal Corporate Restructuring and Firm Value: The Japanese Case"
Yoon K. Choi - University of Central Florida, USA
Seung Hun Han - Korea Advanced Institute of Science and Technology, South Korea

Discussant: Taufique Samdani - ESCP-EAP, France

"Is Investor Sentiment Driven by IPO Pricing Mechanism? Evidence from India"
Taufique Samdani - ESCP-EAP, France
Jyoti Gupta - ESCP-EAP, France

Discussant: Filippo Ippolito - Universita Commerciale L. Bocconi, Italy

Tuesday 10:30-12:15

SESSION 26 **Salon Achilles**

VOLATILITY
Session Chair: Fayez A. Elayan - Brock University, Canada

"Idiosyncratic Risk in Emerging Markets"
Timotheos Angelidis - University of Peloponnese, Greece

Discussant: Ihsan Ullah Badshah - Hanken School of Economics, Finland

"Asymmetric Return-Volatility Relation, Volatility Transmission and Implied Volatility Indexes"
Ihsan Ullah Badshah - Hanken School of Economics, Finland

Discussant: Fatma Sonmez - Queen's University, Canada

"Rethinking Idiosyncratic Volatility: Is It Really a Puzzle?"
Fatma Sonmez - Queen's University, Canada

Discussant: Edgar Ortiz - Universidad Nacional Autonoma del Estado de Mexico, Mexico

"Conditional Value at Risk Modeling Applying Extreme Value Theory for the Peso/Dollar Exchange Rate"
Raul de Jesus Gutierrez - Universidad Autonoma del Estado de Mexico, Mexico
Edgar Ortiz - Universidad Nacional Autonoma del Estado de Mexico, Mexico
Alejandra Cabello - Universidad Autonoma del Estado de Mexico, Mexico

Discussant: Timotheos Angelidis - University of Peloponnese, Greece

SESSION 27 **Salon Poseidon**

INVESTMENTS I
Session Chair: Jyoti Gupta - ESCP-EAP, France

"Time-Varying Global and Local Sources of Risk in Russian Stock Market"
Kashif Saleem - Lappeenranta University of Technology, Finland
Mika Vaihekoski - Turku School of Economics, Finland

Discussant: Neophytos Lambertides - Aston University, UK

"The Role of Growth Options in Explaining Stock Returns. Is Book-to-Market Dead?"
Lenos Trigeorgis - University of Cyprus, Cyprus
Neophytos Lambertides - Aston University, UK

Discussant: Johan Knif - Hanken School of Economics, Finland

"Asset Pricing with Exchange and Inflation Risks"
Johan Knif - Hanken School of Economics, Finland
James W. Kolari - Texas A&M University, USA
Seppo Pynnonen - University of Vaasa, Finland

Discussant: Nuttawat Visaltanachoti - Massey University, New Zealand

"Does the Other January Effect Have Market Timing Ability?"
Ben R. Marshall - Massey University, New Zealand
Nuttawat Visaltanachoti - Massey University, New Zealand

Discussant: Kashif Saleem - Lappeenranta University of Technology, Finland

SESSION 28 Jason

INFORMATION & RETURNS
Session Chair: Minna Martikainen - Lappeenranta University of Technology, Finland

"Short Interest, Insider Trading, and Stock Returns"
T. Y. Leung - City University of Hong Kong, China
Oliver Meng Rui - Chinese University of Hong Kong, China
Steven Shuye Wang - Hong Kong Polytechnic University, China

Discussant: Robert Brown - University of Melbourne, Australia

"Analysts' Recommendations, Signaling, Timeliness and Regulation Fair Disclosure"
Robert Brown - University of Melbourne, Australia
Howard W.H. Chan - University of Melbourne, Australia
Yew Kee Ho - National University of Singapore, Singapore
Grace Weiying Yan - National University of Singapore, Singapore

Discussant: Chia-Ying Chan - Yuan Ze University, Taiwan

"Price Interaction between UK Covered Warrants and their Underlying Shares: A Panel Cointegration Approach"
Chia-Ying Chan - Yuan Ze University, Taiwan
Christian de Peretti - University of Lyon, France

Discussant: Yuliang Wu - Queen's University Belfast, UK

SESSION 29 Odysseas

ASSET PRICING II
Session Chair: Thomas Henker - University of New South Wales, Australia

"Portfolio Policies with Stock Options"
Yuliya Plyakha - Goethe University, Germany
Grigory Vilkov - Goethe University, Germany

Discussant: Markus Leippold - University of Zurich, Switzerland

"Equilibrium Implications of Delegated Asset Management under Benchmarking"
Markus Leippold - University of Zurich, Switzerland
Philippe Rohner - University of Zurich, Switzerland

Discussant: Denitsa Stefanova - VU University Amsterdam, The Netherlands

"A New Methodology for Measuring and Using the Implied Market Value of Aggregate Corporate Debt in Asset Pricing: Evidence from S&P 500 Index Put Option Prices"
Robert Geske - University of California Los Angeles, USA
Yi Zhou - University of Oklahoma, USA

Discussant: Dirk Baur - Dublin City University, Ireland

"The Optimal Call Policy for Corporate Convertible Bonds: Is There a Market Memory Effect?"
Chris Veld - University of Stirling, UK
Yuriy Zabolotnyuk - Carleton University, Canada

Discussant: Yuliya Plyakha - Goethe University, Germany

SESSION 30 **Megas Alexandros**

IPOS
Session Chair: Robert Brown - University of Melbourne, Australia

"Market Volatility and the Timing of IPO Filings"
Walid Busaba - University of Western Ontario, Canada
Daisy Li - University of Western Ontario, Canada
Guorong Yang - University of Western Ontario, Canada

Discussant: Yew Kee Ho - National University of Singapore, Singapore

"Cross-Listing and the Long-term Performance of ADRs: Revisiting European Evidence"
Franck Bancel - ESCP-EAP, France
Madhu Kalimipalli - Wilfrid Laurier University, Canada
Usha R. Mittoo - University of Manitoba, Canada

Discussant: Walid Busaba - University of Western Ontario, Canada

"Long-Term Return Reversals - Empirical Evidence from the UK Market"
Yuliang Wu - Queen's University Belfast, UK
Youwei Li - Queen's University Belfast, UK

Discussant: Oliver Meng Rui - Chinese University of Hong Kong, China

LUNCHEON AND KEYNOTE SPEECH

12:15-2:15 p.m. Megas Alexandros

Professor Michael Brennan
UCLA & University of Manchester, UK

THE TROUBLE WITH RATINGS

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University of Crete, Greece

and

Rotman School of Management
University of Toronto, Canada

Tuesday 2:15-4:00

SESSION 31 **Salon Achilles**

TUTORIAL: PROBABILITY DISTRIBUTIONS IN FINANCE: ESTIMATION, VAR AND PRICING
Presenter: **Professor James B. McDonald - Brigham Young University, USA**

Research tutorial for doctoral students and other conference participants.

SESSION 32 **Salon Poseidon**

SPILLOVERS II
Session Chair: Walid Busaba - University of Western Ontario, Canada

"Monetary Policy Announcements and Interest Rates Volatility: Evidence from the Mexican TIIE Futures Market"
Pedro Gurrola - Regent's College, UK
Renata Herrerias - Instituto Tecnologico Autonomo de Mexico, Mexico

Discussant: Hossein Asgharian - Lund University, Sweden

"Local, Regional and World Market Shocks in Asian Equity Markets"
Hossein Asgharian - Lund University, Sweden
Marcus Nossman - Lund University, Sweden

Discussant: Ilkay Sendeniz-Yuncu - IESEG School of Management, France

"Futures Market Development and Economic Growth"
Ilkay Sendeniz-Yuncu - IESEG School of Management, France
Levent Akdeniz - Bilkent University, Turkey
Kursat Aydogan - Bilkent University, Turkey

Discussant: Cal B. Muckley - University College Dublin, Ireland

"Global Stock Market Interdependencies and Portfolio Diversification"
Cal B. Muckley - University College Dublin, Ireland
Brian M. Lucey - Trinity College, Ireland

Discussant: Renata Herrerias - Instituto Tecnologico Autonomo de Mexico, Mexico

SESSION 33 **Jason**

MICROSTRUCTURE II
Session Chair: Pullyur Sudi Sudarsanam - Cranfield University, UK

"Are Retail Investors the Culprits? Evidence from Australian Individual Stock Price Bubbles"
Julia Henker - University of New South Wales, Australia
Thomas Henker - University of New South Wales, Australia

Discussant: Petko S. Kalev - Monash University, Australia

"Deafened by Noise: Do Noise Traders Affect Volatility and Returns?"
Edward Podolski–Boczar - Monash University, Australia
Petko S. Kalev - Monash University, Australia
Huu Nhan Duong - Monash University, Australia

Discussant: Fei Wu - Massey University, New Zealand

"Information, Execution Quality, and Order Routing on Nasdaq"
Ryan Garvey - Duquesne University, USA
Fei Wu - Massey University, New Zealand

Discussant: Julia Henker - University of New South Wales, Australia

"Institutional Investors and Stock Market Efficiency: The Case of the January Anomaly"
Martin T. Bohl - Westfalische Wilhelms-University Munster, Germany
Katrin Gottschalk - Auckland University of Technology, New Zealand
Rozalia Pal - UniCredit Tiriac Bank, Romania

Discussant: Kanellos Toudas - University of Patras, Greece

SESSION 34 **Odysseas**

REGULATION & DISCLOSURE
Session Chair: Theodore Syriopoulos - University of the Aegean, Greece

"Market Reaction to Increased Transparency in Disclosure Rules for Financial Instruments: Evidence from an Order-Driven Market in a Pre-and Post IFRS World"
Paul Preda - The University of Sydney, Australia

Discussant: Peter Carayannopoulos - Wilfrid Laurier University, Canada

"The 2003 Regulatory Reform in the Canadian Property/Casualty Insurance Industry and its Impact on Insurers' Surplus Levels"
Peter Carayannopoulos - Wilfrid Laurier University, Canada
Mary Kelly - Wilfrid Laurier University, Canada
Si Li - Wilfrid Laurier University, Canada

Discussant: Philip Valta - University of Lausanne, Switzerland

"Is Shareholders Strategic Default Behavior Priced? Evidence from the International Cross-Section of Stocks"
Giovanni Favara - University of Lausanne, Switzerland
Enrique Schroth - University of Amsterdam, The Netherlands
Philip Valta - University of Lausanne, Switzerland

Discussant: Vladimir Ivanov - University of Kansas, USA

"The Effect of Litigation on Venture Capitalist Reputation"
Vladimir Atanasov - Mason School of Business, USA
Vladimir Ivanov - University of Kansas, USA
Kate Litvak - The University of Texas, USA

Discussant: Paul Preda - The University of Sydney, Australia

Tuesday 2:15-4:00

SESSION 35 **Megas Alexandros**

DIVIDENDS II
Session Chair: Timotheos Angelidis - University of Peloponnese, Greece

"The Agency Theory of Dividends: Evidence from Dividend Initiations"
Jesus M. Salas - Lehigh University, USA

Discussant: Robert Joliet - IESEG School of Management, France

"Dividends and Foreign Performance Signaling"
Robert Joliet - IESEG School of Management, France
Aline Muller - University of Liege, Belgium

Discussant: Alberto Manconi - INSEAD, France

"Mixing Wheat with the Chaff: Dividend Signaling, Pecking Order, and Style Investing"
Alberto Manconi - INSEAD, France

Discussant: Jesus M. Salas - Lehigh University, USA

Refreshments 4:00-4:15 p.m.

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Tuesday 4:15-6:00

SESSION 36 **Salon Achilles**

TAKEOVERS
Session Chair: James B. McDonald - Brigham Young University, USA

"Determinants of Takeover Premium in Share-exchange Takeover Offers: An Exchange Option Pricing Approach"
Pullyur Sudi Sudarsanam - Cranfield University, UK
Ghulam Sorwar - Nottingham University, UK

Discussant: Peter Mayall - Curtin University of Technology, Australia

"The Aftermath of Takeovers: Do Acquiring Companies gain from Takeovers? An Examination of the Long-Run Performance of Acquirers"
Peter Mayall - Curtin University of Technology, Australia
Sally Wihardjo - Curtin University of Technology, Australia

Discussant: Zafeira Kastrinaki - Warwick Business School, UK

"An Accelerated Failure Time Approach To Modeling Dynamics Within A Merger Wave"
Zafeira Kastrinaki - University of Warwick, UK
Paul Stoneman - University of Warwick, UK

Discussant: Moqi Xu - INSEAD, France

"Acquisition Finance, Capital Structure and Market Timing"
Theo Vermaelen - INSEAD, France
Moqi Xu - INSEAD, France

Discussant: Pullyur Sudi Sudarsanam - Cranfield University, UK

SESSION 37 **Salon Poseidon**

MANIPULATION
Session Chair: Aline C. Muller - HEC Management School, Belgium

"Identification of Stock Market Manipulation: A Case Study"
John Simpson - University of Wollongong, U.A.E.
Lakshman Alles - Curtin University, Australia
John Evans - Curtin University, Australia
Jennifer Westaway - Curtin University, Australia

Discussant: Anna Zalewska - University of Bath, UK

"Do Investigated Companies Manipulate Profitability Data?"
Ludivine Garside - University of Bristol, UK
Paul Grout - University of Bristol, UK
Anna Zalewska - University of Bath, UK

Discussant: Zaher Z. Zantout - American University of Sharjah, United Arab Emirates

"Financing Corporate R&D Programs Using a Special Purpose Off-Balance Sheet Entity?"
Samuel H. Szewczyk - Drexel University, USA
Alexandra K. Theodossiou - Rutgers University, USA
Zaher Z. Zantout - American University of Sharjah, United Arab Emirates

Discussant: Manuel J. Rocha Armada - University of Minho, Portugal

"Corruption and Co-Movements in European Football Clubs: Did CalcioCaos Really Matter?"
Joaquim Ferreira - University of Minho, Portugal
Joao Leitao - IST - Technical University of Lisbon, Portugal
Manuel J. Rocha Armada - University of Minho, Portugal

Discussant: Jennifer Westaway - Curtin University, Australia

SESSION 38 Jason

INVESTMENTS II
Session Chair: John F. Manley - Iona College, USA

"Portfolio Optimization Using Greedy Algorithm"
Ahmed Elshahat - Bradley University, USA
Ali Parihizgari - Florida International University, USA
Giri Narasimhan - Florida International University, USA
Shadab Anwar - University of Florida, USA

Discussant: Andreas Andrikopoulos - University of the Aegean, Greece

"Idiosyncratic risk, Returns and Liquidity in the London Stock Exchange: A Spillover Approach"
Andreas Andrikopoulos - University of the Aegean, Greece
Timotheos Angelidis - University of Peloponnese, Greece

Discussant: Chensheng Lu - Credaris, UK

"Is Share Price Relevant?"
Soosung Hwang - GSA Capital, UK
Chensheng Lu - Credaris, UK

Discussant: Konstantinos Kiriakopoulos - Proton Bank, Greece

"A Note on Temporal Aggregation Effects on the Mean Variance Portfolio Optimization Approach. Some Empirical Results"
George Kaimakamis - Hellenic Army Academy, Greece
Konstantinos Kiriakopoulos - Proton Bank, Greece

Discussant: Ahmed Elshahat - Bradley University, USA

SESSION 39 Odysseas

COMMODITIES
Session Chair: David Michayluk - University of Technology, Australia

"Oil prices and the Wall Street Journal"
Bruce Grundy - University of Melbourne, Australia
Richard Heaney - RMIT University, Australia

Discussant: John Simpson - Curtin University of Technology, Australia

"Spot Natural Gas Prices: An Expanded Party to Party Bargaining Framework"
John Simpson - Curtin University of Technology, Australia

Discussant: Christophe Spaenjers - Tilburg University, The Netherlands

"Wishful Thinking: On prices and Returns in the Art Market"
Luc Renneboog - Tilburg University, The Netherlands
Christophe Spaenjers - Tilburg University, The Netherlands

Discussant: Isabel Figuerola-Ferretti - Universidad Carlos III de Madrid, Spain

"Modeling and Measuring Price Discovery in the NYMEX and IPE Crude Oil Markets"
Isabel Figuerola-Ferretti - Universidad Carlos III de Madrid, Spain
Jesus Gonzalo - Universidad Carlos III de Madrid, Spain

Discussant: Richard Heaney - RMIT University, Australia

SESSION 40 Megas Alexandros

TOPICS IN DERIVATIVES
Session Chair: Denitsa Stefanova - VU University Amsterdam, The Netherlands

"A New Method of Employing the Principle of Maximum Entropy to Retrieve the Risk Neutral Density"
Leonidas S. Rompolis - University of Cyprus, Cyprus

Discussant: Ilias D. Visvikis - ALBA Graduate Business School, Greece

"The Hedging Effectiveness of Non-Storable 'Commodity' Derivatives"
Manolis G. Kavussanos - Athens University of Economics and Business, Greece
Ilias D. Visvikis - ALBA Graduate Business School, Greece

Discussant: Ephraim Clark - Middlesex University, UK

"Asymmetric Foreign Currency Exposures and Derivatives Use: Evidence from France"
Ephraim Clark - Middlesex University, UK
Salma Mefteh - ESSCA Business School, France

Discussant: Sotiris K. Staikouras - Cass Business School, UK

Tuesday 4:15-6:00

"The Conditional Volatility of Volatility Derivatives"
Paul Dawson - Kent State University, USA
Sotiris K. Staikouras - Cass Business School, UK

Discussant: Leonidas S. Rompolis - University of Cyprus, Cyprus

KEYNOTE SPEECH

8:00-8:40 p.m. Megas Alexandros

Professor Haim Levy
Hebrew University of Jerusalem, Israel

THE CAPM: ALIVE AND WELL? A REVIEW AND SYNTHESIS

GREEK NIGHT DINNER

9:00-12:00 p.m. Pool Area

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ΜΕΛΟΣ ΤΟΥ ΧΡΗΜΑΤΙΣΤΗΡΙΟΥ ΑΞΙΩΝ ΚΥΠΡΟΥ

SESSION 41 **Salon Achilles**

MUTUAL FUNDS I
Session Chair: Peter Spencer - University of York, UK

"The Impact of UK Manager Changes on Fund Performance and Fund Flows"
Andrew Clare - Cass Business School, UK
Svetlana Sapuric - Cass Business School, UK
Natasa Todorovic - Cass Business School, UK

Discussant: Andrew Adams - University of Edinburgh, UK

"Mutual Fund Industry Competition and Concentration: International Evidence"
Miguel A. Ferreira - Universidade Nova de Lisboa, Portugal
Sofia B. Ramos - ISCTE Business School, Portugal

Discussant: Natasa Todorovic - Cass Business School, UK

"Disclosure and Search Costs: The Case of Retail S&P 500 Index Funds"
Jeffrey L. Callen - University of Toronto, Canada
Xinghua Liang - McMaster University, Canada

Discussant: Sofia B. Ramos - ISCTE Business School, Portugal

"What Skills do Star Fund Managers Possess?"
Li-Wen Chen - University of Edinburgh, UK
Andrew Adams - University of Edinburgh, UK
Richard Taffler - University of Edinburgh, UK

Discussant: Jeffrey L. Callen - University of Toronto, Canada

SESSION 42 **Salon Poseidon**

INTEREST RATES
Session Chair: Taufiq Choudhry - University of Southampton, UK

"UK Macroeconomic Volatility and the Term Structure of Interest Rates."
Peter Spencer - University of York, UK

Discussant: Marta Tolentino - Universidad de Castilla-La Mancha, Spain

"Interest Linkages between the US, UK and German Interest Rates: Should the UK join the European Monetary Union?"
William D. Bryant - Macquarie University, Australia
Roselyne Joyeux - Macquarie University, Australia

Discussant: Francisco Jareno - Universidad de Castilla-La Mancha, Spain

"Term Structure of Volatilities and Method for Estimating the Term Structure of Interest Rates"
Antonio Diaz - Universidad de Castilla-La Mancha, Spain
Francisco Jareno - Universidad de Castilla-La Mancha, Spain
Eliseo Navarro - Universidad de Castilla-La Mancha, Spain

Discussant: Peter Spencer - University of York, UK

"Implementing the OAS Methodology to the Spanish Corporate Fixed Income Market (AIAF)"
Antonio Diaz - Universidad de Castilla-La Mancha, Spain
Marta Tolentino - Universidad de Castilla-La Mancha, Spain

Discussant: Roselyne Joyeux - Macquarie University, Australia

SESSION 43 — Jason

GOVERNANCE II
Session Chair: P.N. Junankar - University of Western Sydney, Australia

"Corporate Governance of French IPO"
Julien Le Maux - HEC Montreal, Canada

Discussant: Rayna Brown - University of Melbourne, Australia

"What are Friends for? CEO Networks, Pay and Corporate Governance."
Rayna Brown - University of Melbourne, Australia
Edward Lee - Manchester Business School, UK
Ning Gao - Manchester Business School, UK
Konstantinos Stathopoulos - Manchester Business School, UK

Discussant: Tatyana Sokolyk - University of Wyoming, USA

"Governance Provisions and Managerial Entrenchment: Evidence From Forced CEO Turnover of Acquiring Firms"
Tatyana Sokolyk - University of Wyoming, USA

Discussant: Manuel Lingo - WU Wien and Oesterreichische National Bank, Austria

"The Performance of Erroneous Rating Systems during Changes in the Economic Environment"
Manuel Lingo - WU Wien and Oesterreichische National Bank, Austria
Gerhard Winkler - WU Wien and Oesterreichische National Bank, Austria

Discussant: Julien Le Maux - HEC Montreal, Canada

SESSION 44 — Odysseas

INTERNATIONAL FINANCE
Session Chair: Wendy Rotenberg - University of Toronto, Canada

"Speed of Convergence to Market Efficiency for NYSE-Listed Foreign Stocks"
Nuttawat Visaltanachoti - Massey University, New Zealand
Ting Yang - Auckland University of Technology, New Zealand

Discussant: Crina Pungulescu - Toulouse Barcelona Business School - ESEC, Spain

"Market Size Effects and Integration: Emerging vs. Developed Countries"
Peter de Goeij - Tilburg University, The Netherlands
Crina Pungulescu - Toulouse Barcelona Business School - ESEC, Spain
Frans de Roon - Tilburg University, The Netherlands

Discussant: P.N. Junankar - University of Western Sydney, Australia

"Stock Market Development, Economic Reform and Economic Growth: A Case Study of Arab Countries"
Rateb Abu-Sharia - FAS Real Estate Company, Kingdom of Saudi Arabia
P.N. Junankar - University of Western Sydney, Australia

Discussant: Ting Yang - Auckland University of Technology, New Zealand

"From Mines and Fields to Boards and Yields: International Commodity Prices and the Australian Stock Market"
Chris Heaton - Macquarie University, Australia
George Milunovich - Macquarie University, Australia
Anthony Passe De Silva - JP Morgan, Australia

Discussant: Deniz Kebabci - San Francisco State University, USA

SESSION 45 — Megas Alexandros

MUTUAL FUNDS II
Session Chair: Samuel H. Szewczyk - Drexel University, USA

"Short-term Persistence in the Performance of U.K. Closed-end Funds"
Sam Agyei-Ampomah - University of Surrey, UK

Discussant: Ana Carmen Diaz Mendoza - Universidad del Pais Vasco, Spain

"The Dynamic of Management Fees in the Mutual Fund Industry"
Ana Carmen Diaz Mendoza - Universidad del Pais Vasco, Spain
Miguel Angel Martinez Sedano - Universidad del Pais Vasco, Spain

Discussant: Maria Ceu Cortez - University of Minho, Portugal

"Socially Responsible Investing in the Global Market: The Performance of US and European Funds"
Maria Ceu Cortez - University of Minho, Portugal
Florinda Silva - University of Minho, Portugal
Nelson Areal - NEGE, Portugal

Discussant: Andrew Mason - University of Surrey, UK

"The New Debate for Returns Based Style Analysis; RBSA or BFI?"
Andrew Mason - University of Surrey, UK
Frank McGroarty - University of Southampton, UK
Stephen Thomas - Cass Business School, UK

Discussant: Sam Agyei-Ampomah - University of Surrey, UK

SESSION 46 — Salon Achilles

IMPLIED VOLATILITY
Session Chair: Constantin Zopounidis - Technical University of Crete, Greece

"The Volatility Premium"
Bjorn Eraker - Wisconsin School of Business, USA

Discussant: Alireza Tourani-Rad - Auckland University of Technology, New Zealand

"The Information Content of Implied Volatility: Evidence from Australia"
Bart Frijns - Auckland University of Technology, New Zealand
Christian Tallau - University of Gottingen, Germany
Alireza Tourani-Rad - Auckland University of Technology, New Zealand

Discussant: Jayasinghe Wickramanayake - Monash University, Australia

"Long-term Performance of Australian Target Companies Following Unsuccessful Takeovers: An Empirical Analysis"
Jayasinghe Wickramanayake - Monash University, Australia
Nathan Wawryk - Macquarie Capital Advisers, Australia

Discussant: Bjorn Eraker - Wisconsin School of Business, USA

SESSION 47 — Salon Poseidon

REPURCHASES
Session Chair: Bjorn Eraker - Wisconsin School of Business, USA

"Share Repurchases in Europe. Underlying Signals and Regulatory Frameworks: A Cross-Country Analysis."
Dimitrios Andriosopoulos - Cass Business School, UK

Discussant: William J. McNally - Wilfrid Laurier University, Canada

"A Microstructure Analysis of the Liquidity Impact of Open Market Repurchases"
William J. McNally - Wilfrid Laurier University, Canada
Brian F. Smith - Wilfrid Laurier University, Canada

Discussant: Ian Rakita - Concordia University, Canada

"Behavior of Liquidity and Returns Around Canadian Seasoned Equity Offerings"
Lawrence Kryzanowski - Concordia University, Canada
Skander Lazrak - Brock University, Canada
Ian Rakita - Concordia University, Canada

Discussant: Dimitrios Andriosopoulos - Cass Business School, UK

Wednesday 10:30-12:00

SESSION 48 **Jason**

CORPORATE FINANCE
Session Chair: Zaher Z. Zantout - American University of Sharjah, United Arab Emirates

"Acquisitions and CEO Power: Evidence from French Networks"
Sabrina Chikh - ESC Lille, France
Jean-Yves Filbien - ESC Lille, France

Discussant: Andre E. Thibeault - Vlerick Leuven Gent Management School, The Netherlands

"Intangible Assets and Default Prediction of SMEs"
Frieda Rikkers - Tilburg University, The Netherlands
Andre E. Thibeault - Vlerick Leuven Gent Management School, The Netherlands

Discussant: Alexandros P. Prezas - Suffolk University, USA

"The Effects of Off Shoring on Firm Value and Operating Performance"
Alexandros P. Prezas - Suffolk University, USA
Karen Simonyan - Suffolk University, USA
Gopala Vasudevan - University of Massachusetts, USA

Discussant: Sabrina Chikh - ESC Lille, France

SESSION 49 **Odysseas**

HEDGING & HEDGE FUNDS
Session Chair: Jeffrey L. Callen - University of Toronto, Canada

"International Allocation Determinants for Institutional Investments in Venture Capital and Private Equity Limited Partnerships"
Alexander P. Groh - IESE Business School, Spain
Heinrich von Liechtenstein - University of Navarra, Spain

Discussant: Wendy Rotenberg - University of Toronto, Canada

"Foreign Financing and Hedging Activities of Canadian Firms: Alternative Foreign Exchange Exposure Management Strategies"
Wendy Rotenberg - University of Toronto, Canada

Discussant: Joseph P. Ogden - University at Buffalo-SUNY, USA

"Momentum and Occam's Razor: Behavioral Delayed Overreaction or Arbitrage-Cost and Risk-Premium Dynamics?"
Joseph P. Ogden - University at Buffalo-SUNY, USA

Discussant: Heinrich von Liechtenstein - University of Navarra, Spain

SESSION 50 **Megas Alexandros**

POLITICS AND MARKETS
Session Chair: Alireza Tourani-Rad - Auckland University of Technology, New Zealand

"Political Rights and the Cost of Debt"
Yaxuan Qi - Concordia University, Canada
Lukas Roth - Pennsylvania State University, USA
John K. Wald - University of Texas at San Antonio, USA

Discussant: Taufiq Choudhry - University of Southampton, UK

"World War II Events and The Dow-Jones Industrial Index"
Taufiq Choudhry - University of Southampton, UK

Discussant: Tomas Mantecon - University of North Texas, USA

"Do Financial Analysts' Opinions Matter?"
Yi Liu - University of North Texas, USA
Tomas Mantecon - University of North Texas, USA
Samuel H. Szewczyk - Drexel University, USA

Discussant: Yaxuan Qi - Concordia University, Canada

Conference Participants

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June 28 - July 1, 2009
Aquila Rithymna Beach Hotel
Rethymno, Crete, Greece

GREEK MARKETS

Session Chair: Benjamin Tabak - Banco Central do Brasil, Brazil

"Insider Trading and Ownership Structure: Evidence from the Athens Stock Exchange"

George N. Leledakis - Athens University of Economics and Business, Greece
Vassilis A. Efthymiou - Athens University of Economics and Business, Greece
Kallirroi Kontopoulou - Athens University of Economics and Business, Greece
Michail Nerantzidis - Athens University of Economics and Business, Greece

Discussant: Dimitrios V. Kousenidis - Aristotle University of Thessaloniki, Greece

This paper investigates the market's reaction to insider transactions and analyzes whether the reaction depends on the firm's ownership structure for companies listed on the Athens Stock Exchange over the interval September 2000 through June 2005. Using event-study methodology, we found that there is a strong positive (negative) market reaction to insider purchases (sales) given their high informational content. The position of the insider within the firm has effect, which is consistent with the information hierarchy hypothesis. In addition, the market reaction differs significantly depending on the degree of outsider ownership, director ownership, and the type of outsider ownership.

"The Co-Movement Between Book and Market Value"

Dimitrios V. Kousenidis - Aristotle University of Thessaloniki, Greece
Anestis C. Ladas - University of Macedonia, Greece
Christos I. Negakis - University of Macedonia, Greece

Discussant: Theophano Patra - American College of Greece, Greece

The present paper, examines the long and short run dynamics of relation between market and book value of equity. By using an Error Correction Model, the analysis provides useful insights on both the contemporaneous relation between market and value changes and the rate at which the two variables in levels converge to their long-run equilibrium. The evidence is interpreted in terms of unconditional conservatism by assuming that any bias in the recognition of unrecorded goodwill is due to the exercise of accounting conservatism. The idea comes from the seminal work of Beaver and Ryan (2000). However, we follow a different root by using the theory of cointegration, due to the fact that ignoring the possibility of non-stationarity of book and market value of equity provides spurious results. Using a panel of Greek firms, listed in the Athens Stock Exchange, we find evidence of the existence of conservatism, as measured by our proposed methodology. Moreover, the results are consistent with the explanations for the existence of conservatism as described by Watts (2003a).

"Financial Statement Ratios and Predictability of Stock Returns: Evidence from the Emerging Greek Market"

Christos Alexakis - University of Piraeus, Greece
Theophano Patra - American College of Greece, Greece
Sunil Poshakwale - Cranfield University, UK

Discussant: Panayotis Alexakis - University of Athens, Greece

The paper examines the predictability of stock returns in the Athens stock exchange during 1993-2006 by using accounting information. Using panel data analysis, the paper finds that the selected financial ratios contain significant information for predicting the cross-section of stock returns. Findings indicate that portfolios selected on the basis of fundamental analysis produce higher than average returns, suggesting that the emerging Greek market does not fully incorporate accounting information into stock prices and hence it is not semi-strong efficient.

"Competitive Analysis of Greek Commercial Banks using the Relative Profitability and Growth Matrix"

Panayotis Alexakis - University of Athens, Greece
Ioannis Tsolas - National Technical University of Athens, Greece

Discussant: George N. Leledakis - Athens University of Economics and Business, Greece

The purpose of this paper is to employ the approach of relative profitability and growth matrix (RPGM) to the banking industry. This competitive analysis matrix offers an assessment of a bank relative to its industry. Two versions of this approach are examined, namely, the one applying a 2x2 assessment based on relative profitability and relative growth, as well as a proposed extended 3x3 version based on business prospects and stage of market evolution, at the background of relative profitability and relative growth. Furthermore, our analysis is enriched to also include a third dimension, namely, size, in both versions examined. The empirical analysis is based on a sample of Greek commercial banks. It is derived that both matrices can be used as a tandem of methods, while the results seem to be interesting and useful in facilitating bank competitive analysis.

SESSION 2 **Monday 8:30-10:15** **Salon Poseidon**

ASSET PRICING I
Session Chair: Seppo Pynnonen - University of Vaasa, Finland

"The Role of Heterogeneity in Asset Pricing: The Effect of Clustering Approach"
Olesya V. Grishchenko - Penn State University, USA
Marco Rossi - Penn State University, USA

Discussant: Georgios Skoulakis - University of Maryland, USA

We present empirical evidence that uninsurable idiosyncratic consumption risk cannot fully explain the equity premium. We use household data from the Consumer Expenditure Survey to examine the cross-sectional distribution of consumption growth and its relation to aggregate stock returns. We document that cross-sectional moments of household consumption growth have little covariance with aggregate market returns in the years between 1984 and 2002. Furthermore, we construct cohorts based on consumers' education, age, income, and source of income and estimate cohort-based conditional Euler equations. We test our model via GMM and reject it when we use both cohort-based measures of intertemporal marginal rate of substitution and tighten the definition of asset holders. Our results support Cogley (2002), who finds that cross-sectional moments of consumption growth explain only partially the equity premium.

"Do Subjective Expectations Explain Asset Pricing Puzzles?"
Gurdip Bakshi - University of Maryland, USA
Georgios Skoulakis - University of Maryland, USA

Discussant: Robert Cressy - University of Birmingham, UK

The structural uncertainty model with Bayesian learning, advanced by Weitzman (AER 2007), provides a framework for gauging the effect of structural uncertainty on asset prices and risk premiums. This paper provides an operational version of this approach that incorporates realistic priors about consumption growth volatility, while guaranteeing finite asset pricing quantities. In contrast to the extant literature, the resulting asset pricing model with subjective expectations yields well-defined expected utility, finite moment generating function of consumption growth, and tractable expressions for equity premium and risk-free return. Our quantitative analysis reveals that explaining the historical equity premium and risk-free return, in the context of subjective expectations, requires implausible levels of structural uncertainty. Furthermore, these implausible prior beliefs result in consumption disaster probabilities that virtually coincide with those implied by more realistic priors. At the same time, the two sets of prior beliefs have diametrically opposite asset pricing implications: one asserting, and the other contradicting, the anti-puzzle view.

"Do Size and Unobservable Company Factors Explain Stock Price Reversals?"
Robert Cressy - University of Birmingham, UK
Hisham Farag - University of Birmingham, UK

Discussant: Olesya V. Grishchenko - Penn State University, USA

We use daily price data from the Egyptian stock market and a Loser portfolio of 20 IPOs from the late 1990s that experienced dramatic 1-day price falls in the period 2004 to 2007 to estimate a 2-way fixed effects model of CARs. Observable covariates are company size and turnover growth and unobservable company and period fixed effects. Our results provide evidence of significant price reversal over the first 40 post-event days. Firm size is negatively correlated with post-event CARs, consistently with the argument that small firms have a stronger tendency to price-reverse due to greater informational opacity. But permanent, unobservable company specific factors, account for a much larger percentage of post-event variation in stock prices and indicate an underlying heterogeneity in investor responses to initial price falls not uncovered before in the literature. Strong negative company effects following a price fall are found to presage reinforcing 'long term' price falls and strong positive company effects to presage countervailing 'long term' price reversals. At the extremes these company effects are sufficiently large to suggest a trading strategy based on them would be profitable.

"Trying to Interpret and Explain Shifts of Stock Returns through Asset Pricing Models: A Literature Review of Modern Financial Theory"
Kanellos Toudas - University of Patras, Greece
Nikolaos Gerantonis - University of Piraeus, Greece

Discussant: Katrin Gottschalk - Auckland University of Technology, New Zealand

Markowitz (1952) was officially the first who tried to explain and predict returns' volume focusing on specific factors, especially risk. However, the literature overview shows that until present, various models have already been analyzed trying to explain the behavior of stock returns. Firstly, the single-period models, such as the widely-used Capital Asset Pricing Model (CAPM) and the Arbitrage Pricing Model (APM), and then more sophisticated (multi-period) models, such as the International CAPM, the Consumption-Oriented CAPM, the three- as well as the four-factor CAPM, seek to capture the fundamental independent variables which shift returns of assets, portfolios, and Stock Markets all over the world. In this paper, we indicate and combine in a theoretical base the majority of the models which have received serious attention from researchers and academics through time.

SESSION 3 Monday 8:30-10:15 Jason

CREDIT RISK MODELING I
Session Chair: Petko S. Kalev - Monash University, Australia

"International Comparison of Value-at-Risk at Listed Banks: Parametric Versus Non-Parametric Model Selection"
Sheng-Hung Chen - Nan Hua University, Taiwan
Xue-Ting Chen - Nan Hua University, Taiwan

Discussant: George Christodoulakis - University of Manchester, UK

The accuracy of Value-at-Risk (VaR) estimation is important for bank capital requirement in that different theoretical model might generate different VaR estimations. Therefore, it's very crucial to verify the most appropriate VaR model fitted for financial institutions. Unfortunately, the previous studies on bank's VaR estimation enormously focus on selective countries while international study on this issue is very sparse and yet address on cross-country comparison. For this purpose, using actual trading data at banks public listed around the world, this study aims to conduct comparison of parametric and non-parametric method to evaluate the best estimation for 972 banks with respective to different bank size, bank type and bank region. The scoring system of VaR method is initially developed in this study to evaluate the appropriate method for individual bank. The results show that the parametric VaR method (GARCH) at 99% confidence interval performs slightly better than the non-parametric one (Historical Simulation) for bank risk measurement in context of international comparison. This implicates that parametric VaR method could capture the time-varying risk and show better risk forecasts.

"Estimating Generalized Vasicek Credit Loss Distributions"
Enrique Batiz-Zuk - University of Manchester, UK
George Christodoulakis - University of Manchester, UK

Ser-Huang Poon - University of Manchester, UK

Discussant: Eliza Wu - University of New South Wales, Australia

In the context of Vasicek (1987, 2002), we examine the impact of skewness and excess kurtosis in the asset return process over the shape of the Generalized- Vasicek credit loss density and, consequently, over the bank capital requirements. We consider the classes of skew-normal and skew-t densities and estimate the parameters of the credit loss density for aggregate US charge-off rates published by the Federal Reserve Board for the ten exhaustive loan portfolios. We show that, in general, the non-Gaussian modeling of the common factor provides a better fit than its Gaussian counterpart. This has a high impact over the capital requirement that depends on the sign and magnitude of the skewness coefficient. In addition, we show that the non-gaussian modeling of the idiosyncratic factor does not provide a better fit than that of its Gaussian competitor.

"Do Sovereign Credit Ratings Influence Regional Stock and Bond Market Interdependencies in Emerging Countries?"
Rachel Christopher - University of New South Wales, Australia
Suk-Joong Kim - University of New South Wales, Australia
Eliza Wu - University of New South Wales, Australia

Discussant: Sheng-Hung Chen - Nan Hua University, Taiwan

We investigate the effects of sovereign credit ratings on time-varying emerging stock and bond market correlations with their respective regional markets for a sample of nineteen countries over the period 1 January 1994 to 1 July 2007. We find that there is evidence of increasing regional interdependence after region-specific crisis episodes. Yet, stock and bond market co-movements within a region respond heterogeneously to sovereign ratings information. Sovereign ratings and outlooks are positively related to regional stock market co-movements suggesting that there are positive rating spillover effects from downgrades as investors would shift funds from the downgraded market into the surrounding region whilst an upgrade provides common benefits for neighboring countries in the region. In contrast, sovereign outlooks are negatively related to regional bond market co-movements suggesting the existence of contagion (negative rating spillover effects) when downgrades are issued. This analysis has important implications for asset allocation decisions.

"Semiparametric Estimation of Dynamic Conditional Expected Shortfall Models"
Juan Carlos Escanciano - Indiana University, USA
Silvia Mayoral - University Carlos III of Madrid, Spain

Discussant: Wantanee Surapaitoolkorn - Chulalongkorn University, Thailand

The paper proposes a simple estimator for a class of Conditional Expected Shortfall risk measures. The estimator is semiparametric, in the sense that it does not require a full specification of the conditional distribution of the data, and it is very simple to compute, being a least squares estimator with a closed-form expression. We establish its consistency and asymptotic normality under mild regularity conditions. A simulation study provides evidence of the excellent sample properties of the estimator and an application to some exchange rates returns highlights the semiparametric aspect of the new estimator.

SESSION 4	**Monday 8:30-10:15**	**Odysseas**

DIVIDENDS I
Session Chair: Hans Bystrom - Lund University, Sweden

"How Corporate Governance Affects Dividend Policy Under Agency Problems and External Financing Constraints?"
Joon Chae - Seoul National University, Korea
Sungmin Kim - Hanyang University, Korea
Eunjung Lee - Hanyang University, Korea

Discussant: Bruce Rosser - University of Adelaide, Australia

This paper analyzes the effect of corporate governance on the dividend policy when a firm has both agency problems and external financing constraints. By explicitly considering external financing constraints in a firm's decision about dividends, this paper attempts to overcome the limits and ambiguity in extant empirical studies mainly focusing on the direct relation between corporate governance and dividend payments. We empirically test whether strong corporate governance would lead to higher dividend payments to minimize agency problems (outcome hypothesis), or to lower dividend payments to avoid costly external financing (substitute hypothesis). We find that firms with higher (lower) external financing constraints tend to decrease (increase) dividends with an improvement in their corporate governance. The results are consistent with our hypothesis that the relation between dividends payout and corporate governance is reversed depending on the relative sizes of agency and external financing costs.

"Evidence that Executive Stock Options are Partly Dividend-Protected"
Bruce Rosser - University of Adelaide, Australia
Jean Canil - University of Adelaide, Australia

Discussant: Yacine Belghitar - Middlesex University, UK

CEOs of dividend-paying companies who are compensated through unprotected stock option grants bear dividend risk. Hence, cet. par., CEOs of dividend-paying stocks are disadvantaged relative to CEOs of non-dividend paying stocks. We document evidence that CEOs of dividend-paying stocks are recompensed around half the capitalized dividend cost through a variety of mechanisms: same or next-period cash or deferred cash payments, concurrent grants of restricted stock or concurrent stock repurchases, in varying combinations. We find that 15% by value of restricted share grants are diverted for this purpose. Further, restricted share grants (which are contingent recompense) are found increasingly avoided by CEOs as their equity exposure through stock options increases.

"The Information Content of Cash Flows in Dividend Policy Context"
Basil Al-Najjar - Middlesex University, UK
Yacine Belghitar - Middlesex University, UK

Discussant: Joon Chae - Seoul National University, Korea

This paper investigates the information content of cash flows in the context of dividend smoothing, using a large sample of 432 UK companies over the period 1991-2007 and employing advanced panel data techniques such as the Generalized Methods of Moments (GMM). Unlike previous studies, we propose a novel partial adjustment model based on cash flows, and compare it to Lintner's (1956) model. The results show that UK firms smooth their cash flows and hence cash flows can be used as reliable resource for determining dividend policy. Moreover, our proposed dividend partial adjustment model has a lower adjustment coefficient than Lintner's model, suggesting that our estimates are much closer to reality. The results are consistent across different measures of cash flows.

SESSION 5 **Monday 8:30-10:15** **Megas Alexandros**

EARNINGS
Session Chair: Simon Wolfe - University of Southampton, UK

"Determinants of the Quality of Disclosed Earnings and Informativeness Across Transitional Europe"
Sheraz Ahmed - Hanken School of Economics, Finland

Discussant: Qi Sun - California State University, USA

Accounting earnings that according to the value relevance theorem, should reflect the true economic performance of a firm, should be priced mechanically into the market value of equity. Using panel data analysis of 2000 listed firms, this paper examines determinants of earnings management and the market reaction associated with systematic differences in earnings management across Transitional Europe. The results indicate that the determinants of the quality of earnings are different among different groups of countries. Firm size is the only consistent determinant across all countries. Larger firms seem to have a significantly better quality of earnings than smaller firms. Among other variables, ownership and firm-level transparency are important determinants in developed countries, whereas economic determinants are more important in relatively less-developed countries. Market reaction to earnings management is negative in more transparent (Nordic) countries whereas it is positive in East European countries.

"Stock Price Reaction to Earnings News and Post-Earnings Announcement Drift"
Qi Sun - California State University, USA

Discussant: Dimitrios Gounopoulos - University of Surrey, UK

This paper studies stock price reaction to earnings news on earnings announcement date and its implication for post-earnings announcement drift. We document that stock prices often move in the opposite direction of earnings surprises on announcement date. Thirty percent of the stocks with extreme negative earnings surprises experience significant positive returns, while thirty percent of the stocks with extreme positive earnings surprises experience significant negative returns. Prices of the former subsequently reverse, whereas prices of the latter do not drift. The results suggest that post-earnings announcement drift cannot be fully explained by investors' under-reaction to earning news. Further analysis shows that the stock return patterns cannot be explained by two widely documented behavioral biases exhibited by investors, the representativeness heuristic and the disposition effect. We find that investors' reaction to earnings-related qualitative news contributes to the divergent price reactions and the subsequent price movement.

"Global Shipping IPOs Performance"
Andreas Merikas - University of Piraeus, Greece
Dimitrios Gounopoulos - University of Surrey, UK
Christos Nounis - University of Athens, Greece

Discussant: Sheraz Ahmed - Hanken School of Economics, Finland

We analyze the short and long-run price performance of 143Global Shipping IPOs listed during the 1984–2007 period in major Stock Exchanges computing buy and hold abnormal returns (BHAR) and cumulative abnormal returns (CAR). We find average underpricing for shipping IPOs is 17.69%. The light underpricing is positively related to the age of the firm, the reputation of the stock exchange they reach listing and the market condition of the period they go public and negatively related to the reputation of the underwriters. In the long-run, Shipping IPOs underperform after five months holding period. Specifically using the buy-and hold returns as a measurement for long-run performance, we find that investors who buy immediately after listing and hold shares for three years will make a loss of 15.72%. The survey suggests that global shipping industry surprises us regarding the maturity in the behavior of its investors.

SESSION 6 Monday 10:30-12:15 Salon Achilles

BANKING I
Session Chair: Panayotis Alexakis - University of Athens, Greece

"Ownership Structure, Market Discipline, and Banks' Risk Taking Incentives Under Deposit Insurance"
Jens Forssbaeck - Lund University, Sweden

Discussant: Ana Paula Matias Gama - University of Beira Interior, Portugal

The paper studies the effect of two governance factors, ownership structure and market discipline by creditors, on banks' risk-taking incentives in the presence of deposit insurance and related bank safety net components. A simple Jensen-Meckling-type model is developed, where optimal capitalization and the deposit-insurance-induced risk incentive are determined by equity and debt agency costs. Expectations on explicit and implicit deposit insurance determine the level of creditor discipline. It is demonstrated why shareholder control may have a non-linear effect on risk-taking, and how leverage partially determines the impact of the governance variables on risk. The implications of the model are tested on a panel of several hundred banks worldwide over the years 1994- 2005. The empirical results strongly suggest a convex effect of insider ownership on risk, but whether the negative or positive effect dominates depends on the measure of risk used. Creditor discipline has an insignificant effect on risk as a stand-alone variable, but significantly tempers the effects of increased shareholder control, and reduces risk for poorly capitalized banks.

"Does Trade Credit Facilitate Access to Bank Finance? Empirical Evidence from Portuguese and Spanish Small Medium Size Enterprises"

Ana Paula Matias Gama - University of Beira Interior, Portugal
Cesario Mateus - University of Greenwich Business School, UK
Andreia Teixeira - University of Beira Interior, Portugal

Discussant: Benjamin Tabak - Banco Central do Brasil, Brazil

This paper examines if trade credit is as a substitute and/or a complement to bank credit in order to assess the existence of credit rationing. Using a panel dataset of 468 and 7019 Portuguese and Spanish small medium size enterprises for the period 1998-2006, and controlling for endogeneity problems by using GMM estimators, the results confirm the existence of credit rationing, since the substitution hypothesis is confirmed. This effect is particularly strong for firms that maintaining an exclusive relationship with one bank, which indicate a greater severity of adverse selection problems for those firms. Although the substitution hypothesis is confirmed, the results also indicate that the substitution and complementary hypothesis are not mutually exclusive, especially for a specific group of firms: the younger and smaller firms. In line with the theories that emphasize the informational role of trade credit, due the informative advantage of suppliers, our empirical results confirm that trade credit allow the younger and smaller firms to improve their reputation, as trade credit reveals the private information of the supplier to the bank, in turn, banks can update their beliefs about customer default risk and agree to increase bank credit.

"Linking Financial and Macroeconomic Factors to Credit Risk Indicators of Brazilian Banks"

Marcos Souto - International Monetary Fund, USA
Benjamin Tabak - Banco Central do Brasil, Brazil
Francisco Vazquez - International Monetary Fund, USA

Discussant: Jeffrey Ng - Massachusetts Institute of Technology, USA

This study constructs a set of credit risk indicators for 39 Brazilian banks, using the Merton framework and balance sheet information on the banks' total assets and liabilities. Despite the simplifying assumptions, the methodology captures well several stylized facts in the recent history of Brazil. In particular, it identifies deterioration in the credit risk indicators of the banking sector, following the crisis in the early 2000s. The risk indicators were regressed against a number of macro-financial variables at both individual and systemic level, showing that an increase in the system EDF, interest rates, and CDS spreads will lead to a deterioration of the individual expected default probability.

"Market Pricing of Banks' Fair Value Assets Reported under SFAS 157 during the 2008 Economic Crisis"

Beng Wee Goh - Singapore Management University, Singapore
Jeffrey Ng - Massachusetts Institute of Technology, USA
Kevin Ow Yong - Singapore Management University, Singapore

Discussant: Jens Forssbaeck - Lund University, Sweden

Our paper presents early evidence on how investors price fair value assets reported by a sample of banks under Statement of Financial Accounting Standards No. 157 (SFAS 157). We observe significant variation in the pricing of different levels of fair value assets, with the pricing being less for lower level assets (i.e., assets that have more liquidity and reporting reliability concerns). We also find that the pricing of lower level assets, decline over the first three calendar quarters of 2008. These results are consistent with worsening market conditions toward the end of 2008, which heightened investors' concerns about the value of these assets. Finally, we find that fair value assets are priced higher by investors for banks with greater capital adequacy and which are audited by a Big 4 auditor, suggesting that asset liquidity and reporting reliability influence investors' pricing of these assets. Overall, our paper contributes to an understanding of investors' use of fair value accounting during an economic crisis.

SESSION 7 **Monday 10:30-12:15** **Salon Poseidon**

METHODOLOGY
Session Chair: Matthew Spiegel - Yale School of Management, Yale University, USA

"Generalized Rank Test for Testing Cumulative Abnormal Returns in Event Studies"
James Kolari - Texas A&M University, USA
Seppo Pynnonen - University of Vaasa, Finland

Discussant: Dimitris K. Chronopoulos - University of Essex, UK

Corrado's (1989) rank test and its modification in Corrado and Zivney (1992) that accounts for possible volatility changes due to the event effect appear to have good (empirical) power properties against the parametric tests of Patell (1976) and Boehmer, Musumeci and Poulsen (BMP) (1991). However, the Corrado-Zivney test is derived for an one-day event window. The ranks of abnormal returns are dependent by construction, which introduces incremental bias in the standard error in the denominator of the simple CAR t-statistic of ranks as the accumulation period grows. This paper proposes a generalized rank test that can be used both for testing cumulative abnormal returns as well as one-day abnormal returns. Empirical properties of the test statistics are studied with simulations using CRSP returns. The results show that the some popular test statistics, including the ordinary t-test and adjusted Corrado-Zivney test with cumulated ranks tend to under-reject the null hypothesis as the CAR period increases. In addition, the power of the cumulated ranks Corrado-Zivney test seems to suffer when the abnormal return is randomly assigned to a single day within the event window. The proposed generalized rank test is robust against these problems. Furthermore, it is robust to abnormal return serial correlation, event-induced volatility, and cross-correlation due to event day clustering, with competitive (empirical) power relative to the standard parametric tests of Patell and BMP.

"Double Bootstrap Confidence Intervals in the Two-Stage DEA Approach"
Dimitris K. Chronopoulos - University of Essex, UK
Claudia Girardone - University of Essex, UK
John C. Nankervis - University of Essex, UK

Discussant: Silvia Mayoral - University Carlos III of Madrid, Spain

Contextual factors usually assume an important role in determining firms' productive efficiencies. Nevertheless, identifying them in a regression framework might be problematic. The problem arises from the efficiencies being correlated with each other, when estimated by DEA, rendering standard inference methods invalid. Simar and Wilson (2007) suggest the use of bootstrap algorithms that allow for valid statistical inference in this context. This paper extends their work by proposing a double bootstrap algorithm for obtaining confidence intervals with improved coverage probabilities. Acknowledging the computational burden associated with iterated bootstrap procedures, we provide an algorithm based on deterministic stopping rules, which is less computationally demanding. Monte Carlo evidence shows considerable improvement in the coverage probabilities after iterating the bootstrap procedure. The results also suggest that percentile confidence intervals perform better than their basic counterpart. Finally the results of an empirical application of the double bootstrap model to a sample of European banks suggest that diversified financial conglomerates are more efficient than specialized institutions.

"Impact of Outliers on Stock Return Models: Implications for Event Studies and the Pricing of Risk"
Panayiotis Theodossiou - Cyprus University of Technology, Cyprus
Alexandra K. Theodossiou - Drexel University, USA

Discussant: Haim Levy - Hebrew University of Jerusalem, Israel

This paper investigates the impact and implications of outlier returns for event studies and the pricing of risk. A mixed regression process consisting of a regular and an outlier component is used to model returns for individual stocks. The regular component of stock returns is estimated using Huber's Robust M estimation method. Estimates of betas from the regular return regression models are shown to be appropriate measures for systematic risk. Moreover, regular return models are appropriate for the computation of cumulative abnormal return (CAR) statistics employed in event studies to test for significant impact events. This paper shows that when outliers are present in the data, models based on OLS estimation method lead to erroneous estimates of systematic risk and CAR test statistics.

SESSION 8 **Monday 10:30-12:15** **Jason**

EQUITY COSTS
Session Chair: Frank Skinner - University of Surrey, UK

"Valuation of Investments in Emerging Markets: Calculating the Cost of Equity for Four Latin American Countries"
Luise Holscher - Frankfurt School of Finance & Management, Germany
Cristobal Gevert - Parque Arauco S.A, Chile

Discussant: Pablo Fernandez - IESE Business School, Spain

This paper describes different methods to calculate the cost of equity for the valuation of investments in emerging markets, with a special focus on the four Latin-American countries Argentina, Brazil, Chile and Mexico. The aim is to review different models and to find out which are appropriate for these four countries, as well as for comparable economies.

"The Equity Premium Puzzle: High Required Equity Premium, Undervaluation and Self Fulfilling Prophecy"
Pablo Fernandez - IESE Business School, Spain
Heinrich Liechtenstein - IESE Business School, Spain

Discussant: Spyros I. Spyrou - Athens University, Greece

Mehra and Prescott (1985) argued that, according to sensible asset pricing models, stocks should provide at most a 0.35% premium over bills. However, professors use in class and in their textbooks higher equity premia (average around 6%, range from 3 to 10%), investors use higher equity premia for valuing companies and companies also use higher equity premia (average around 6%) for evaluating their investment projects. The overall result is that equity prices have been, on average, undervalued in the last decades and, consequently, the measured ex-post equity premium (HEP) is also high. If the additional returns beyond the risk-free rate demanded by equity investors (ex-ante risk premia) and used in financial asset pricing models have been high, it is not a surprise that the ex-post risk premia (calculated with historical data) have been also high. As most investors use historical data and textbook prescriptions to estimate the required and the expected equity premium, the undervaluation and the high ex-post risk premium are self fulfilling prophecies.

"Stock Price Reaction to M&A Announcements: Evidence from the London Stock Exchange"
Spyros I. Spyrou - Athens University, Greece
Georgia Siougle - Athens University, Greece

Discussant: William Dimovski - Deakin University, Australia

This paper investigates whether short-term reversal/continuation patterns are present in security returns following initial M&A news/announcements, for stocks listed in the London Stock Exchange. We use a real-time news database in order to identify the very first day that information about an M&A is released to the market. News items are sorted by whether the firm is a bidder or a target, by the level of information disclosure, by the size of the firm, by whether the announcements generate a positive or negative reaction, and by whether the initial reaction is of a strong magnitude. The results suggest that investors generally react efficiently; however, there is weak evidence of short-term return reversals following the arrival of M&A information. Further analysis indicates that the reversals are due to very few announcements with strong information content and may be caused by investor overreaction. We also find that, for both bidders and targets and for both good and bad news, small firm event day returns are higher than large firm event day returns and that securities are priced efficiently irrespective of whether the information is disclosed or not in the announcement, with the exception of small targets.

"The Costs of Raising Equity Capital by Renounceable Rights Issues in Australia"
Katherine Warren - Deakin University, Australia
William Dimovski - Deakin University, Australia

Discussant: Luise Holscher - Frankfurt School of Finance & Management, Germany

Rights issues remain a common method for raising equity capital in Australia for companies listed on the Australian Stock Exchange. This study investigates the capital raising costs of Australian renounceable equity rights issues from 2001 to 2006. Both direct and indirect costs are investigated and the explanatory power of potential influencing factors is analyzed. The total direct costs averaged nearly 4% of gross proceeds raised and the mean offer price was discounted around 17% from the current market price. Issue size, percentage underwritten, concentration of ownership and issuer risk significantly influence the percentage direct costs of the rights issue. The age of the issuer, the average historical volume of shares traded and the offer price appear to influence the percentage discount.

SESSION 9 Monday 10:30-12:15 Odysseas

EMERGING MARKETS
Session Chair: Andreas Savvides - Cyprus University of Technology, Cyprus

"Stock Market and Foreign Exchange Volatility in Emerging Economies"
Elena Andreou - University of Cyprus, Cyprus
Maria Matsi - University of Cyprus, Cyprus
Andreas Savvides - Cyprus University of Technology, Cyprus

Discussant: Christos S. Savva - Cyprus University of Technology, Cyprus

This paper investigates two-way volatility spillovers between the stock market and the foreign exchange market of a number of emerging economies. In addition to the domestic stock and foreign exchange markets, the model incorporates volatility spillovers from mature stock markets. A tri-variate VAR-GARCH(1,1) model is estimated separately for twelve emerging economies: Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, India, Korea, Malaysia, Pakistan, Philippines and Thailand. Evidence suggests that a two-way spillover does exist for some of these countries but for others the spillover is one-way.

"Modeling Change in Financial Market Integration: Eastern Europe"
Nektarios Aslanidis - University Rovira Virgili, Spain
Christos S. Savva - Cyprus University of Technology, Cyprus

Discussant: David Morelli - University of Kent, UK

This paper measures the increase in stock market integration between the three largest new EU members (Hungary, the Czech Republic and Poland who joined in May 2004) and the Euro-zone. A potentially gradual transition in correlations is accommodated in a single VAR model by embedding smooth transition conditional correlation (STCC) models with fat tails, spillovers, volatility clustering, and asymmetric volatility effects (GJR-GARCH). This VAR-GJRGARCH- STCC-t specification is subject to a number of sensitivity tests, including alternative transition variables and variance spillovers, as well as a direct comparison with the dynamic conditional correlation (DCC) model of Engle (2002). We find evidence of progress towards financial integration with the EMU in each of the three countries. In 2006 there is a considerable increase in correlations at the aggregate level for all three Eastern European markets. We test for a common transition structure of the Hungarian, Polish and Czech markets with the EMU. The results reject the common transition structure, and we determine that this is due to the differing behavior of the Czech Republic data.

"Integration across the European Capital Markets: An Empirical Study based on an International Asset Pricing Model"
David Morelli - University of Kent, UK

Discussant: Ekaterini Panopoulou - University of Piraeus, Greece

This paper investigates the degree of integration between the capital markets of 15 European countries, all of which are members of the European Union. Integration of the capital markets is tested under the joint hypothesis of an international multifactor asset pricing model. A European portfolio is constructed from which International factors are extracted using factor analysis. Tests are conducted to determine whether these international factors are not only priced but equally priced across the European capital markets. The results show that a number of common factors are extracted from the European portfolio and a degree of capital market integration is shown to exist across the European capital markets.

"Detecting Shift and Pure Contagion in East Asian Equity Markets: A Unified Approach"
Thomas J. Flavin - National University of Ireland, Ireland
Ekaterini Panopoulou - University of Piraeus, Greece

Discussant: Andreas Savvides - Cyprus University of Technology, Cyprus

We test for contagion between pairs of East Asian equity markets over the period 1990-2007. We develop an econometric methodology that allows us to test for both 'shift' and 'pure' contagion within a unified framework. Using both Hong Kong and Thailand as potential shock sources, we find strong evidence of both types of contagion. Therefore during episodes of high-volatility, equity returns are influenced by changes in the transmission of common shocks and additionally by the diffusion of idiosyncratic shocks through linkages that do not exist during normal times.

SESSION 10 Monday 10:30-12:15 Megas Alexandros

FX HEDGING
Session Chair: Richard Heaney - RMIT University, Australia

"Can the CFO Trust the FX Exposure Quantification from a Stock Market Approach?"
Tom Aabo - University of Aarhus, Denmark
Danielle Brodin - Danisco, Denmark

Discussant: Luis Otero Gonzalez - Universidad de Santiago de Compostela, Spain

This study examines the sensitivity of detected exchange rate exposures at the firm-specific level to changes in methodological choices using a traditional two factor stock market approach for exposure quantification. We focus on two methodological choices: the choice of market index and the choice of observation frequency. We investigate to which extent the detected exchange rate exposures for a given firm are confirmed when the choice of market index and/or the choice of observation frequency are changed. The percentage of exposures that cannot be confirmed is the defection rate. We apply the sensitivity analysis to Scandinavian non-financial firms and find high defection rates which are robust to alternative specifications of direction, geographical area / currency regime, time period, and significance level. The high defection rates (in the magnitude of 50%) in relation to the choice of market index bear some economic rationale since we are dealing with extra-market exchange rate exposures but the high defection rates (in the magnitude of 80%) in relation to the choice of observation frequency bear no economic rationale and put a serious question mark on the validity of the stock market approach at the firm-specific level. The results of the study are important because corporate managers, stock analysts and stock pickers are primarily interested in the sensitivity – and thus reliability – of detected exchange rate exposures for a specific firm rather than for an aggregate group of firms in an industry or in a country. The latter has been covered extensively in the existing literature while the lack of literature on the former is the raison d'κtre of this study.

"Analyses of Determinants of Exchange Rate Hedging With Foreign Debt Under Optimal Hedging and Capital Structure Theories"

Luis Otero Gonzalez - Universidad de Santiago de Compostela, Spain
Maria Milagros Vivel Bua - Universidad de Santiago de Compostela, Spain
Sara Fernandez Lopez - Universidade de Santiago de Compostela, Spain
Pablo Duran Santomil - Universidade de Santiago de Compostela, Spain

Discussant: Chia-Hao Lee - National Chung Hsing University, Taiwan

This paper analyzes the factors determining transactional exchange rate hedging with foreign currency debt for a sample of 56 Spanish non-financial companies listed in 2004. In particular, we analyze the variables that determine the decision to hedge with foreign currency debt as well as hedging volume. We also analyze the interaction between the foreign currency debt and derivatives in the hedging decision. Unlike previous empirical studies, which have attempted to explain the use of foreign currency debt through arguments exclusively stemming from optimal hedging theory, we have complemented the analysis with hypothesis from capital structure theory.

"Dynamic Correlation between Stock Prices and Exchange Rates"

Shuh-Chyi Doong - National Chung Hsing University, Taiwan
Chia-Hao Lee - National Chung Hsing University, Taiwan

Discussant: Puja Padhi - Indian Institute of Technology, India

This paper examines the interaction between the stock prices and the exchange rates and investigates while the volatility of stock returns influences their correlation. Weekly data for Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand from 2000 to 2008 are used in this study. We find that there are significant price spillovers from stock returns to exchange rate changes for Indonesia, Korea, Malaysia, Thailand and Taiwan. Furthermore, as the stock returns volatility increases, and then the correlations becomes higher in Asian emerging countries except Philippines. These results seem important to international investors and managers when devising hedging and diversification strategies for their portfolios.

"Constant and Dynamic Hedge Ratio Analysis: An Application to the Indian Stock Index Futures Market"

M.A. Lagesh - Pondicherry University, India
Puja Padhi - Indian Institute of Technology, India

Discussant: Tom Aabo - University of Aarhus, Denmark

This study tries to suggest an optimal hedge ratio to the traders. In order to estimate the optimal hedge ration this study has composed a total of 2001 observations on NSE Stock Index Future and S&P CNX Nifty prices. For analyzing in-sample and out-of sample performance of hedge ratios the study has divided the observation in to two parts. The first 1980 observations (from 30th Jun, 2000 to 21st May, 2008) are employed for test purpose and remaining 21 observations starting from 22nd May, 2008 to 23rd June, 2008 are used for out-of-sample performance analysis. The optimal hedge ratio has been estimated through constant and dynamic methods. Constant hedge ratio method encompasses regression model, Bivariate Vector Autoregressive model (BVAR) and Vector Error Correction Model (VECM). The dynamic hedge ratio method comprises Diagonal Vec-GARCH (DVEC-GARCH) model and BEAK-GARCH model. The performance of these hedge ratios have been estimated through hedged return and minimum variance reduction (Edirington, 1979) approaches. We find the dynamic hedge (BEAK-GARCH) provides an optimal hedge ratio through which the traders can minimize the exposure to spot market. But, in the out-of-sample and in-sample performance analysis the constant hedges outperform the dynamic hedges in terms of return and variance reduction.

LUNCHEON AND KEYNOTE SPEECH

12:15-2:15 p.m. **Megas Alexandros**

Professor Matthew Spiegel
Yale School of Management, Yale University, USA

A NEW TAKE ON FUND FLOW CONVEXITY BASED ON JENSEN'S INEQUALITY

Sponsored by
Faculty of Management and Economics
Cyprus University of Technology, Cyprus

There now exists a long literature documenting the relationship between mutual fund flows and their h istorical returns. Most of the articles that examine this issue regress the percentage change in a fund's flow on its percentile return rank in he prior period along with control variables. The implicit null hy pothesis is that a fund's percentile flow is independent of its return rank, and the alternative is that the re is some functional relationship presumably positive. If the alternative hypothesis is true it imposes a number of testable restrictions on the data. In particular, fund flows in one period should be positive ly related to how well the larger funds do in the prior period. Tests of this hypothesis fail to find any s upport for it. This paper then proposes an alternative model which does not impose a relationship bet ween how well the largest funds do and ubsequent aggregate flows. In it, the null the hypothesis is th at a fund's market share of the industry is independent of its past performance. Thus, flows to funds a re determined conditionally on that period's aggregate flows. Results based on this model indicate tha t the relationship between a fund's past returns and current flows (i.e. change market share) is not con vex. The implication is that a fund's manager cannot generate an increase in his fund's expected flow (conditional on aggregate flows for the period) by increasing his fund's risk.

SESSION 11 **Monday 2:15-4:00** **Salon Achilles**

THE VALUE PREMIUM
Session Chair: George Athanassakos - The University of Western Ontario, Canada

"The Performance, Pervasiveness and Determinants of Value Premium in Different US Exchanges: 1986-2006 & Do Value Investors Add Value? Searching for and Finding Value: Canadian Evidence 1999-2007"
George Athanassakos - The University of Western Ontario, Canada

Discussant: Philip Gharghori - Monash University, Australia

This paper sheds further light into the value premium and the discussion of whether the value premium is driven by risk or behavioral factors by providing out of sample tests of a sample that prevents confounding inferences, utilizing a more comprehensive set of data and tests than previous studies and a research methodology that minimizes any potential data snooping problems. We document a consistently strong value premium in all markets examined over the 1986-2006 sample period, which persists in both bull and bear markets, as well as in recessions and recoveries. We show that the value premium is not driven by a few outliers, but it is pervasive as the overwhelming majority of stocks in the value portfolio have positive returns, and the majority of the industries in our sample have positive value premiums. While the value premium mostly declines over time, it still remains positive and statistically significant. Our results are consistent with, but, in general, stronger than, those of other US studies. Previous studies' results seem to be driven primarily by AMEX and NYSE stocks, as NASDAQ stocks experience much stronger value premium than other markets. In terms of explaining the drivers of the value premium, having looked at this question from many angles, we conclude that the evidence is mixed. It seems that both risk and misspricing play a role in explaining the value premium, although the scale of the evidence seems to tilt more to the side of misspricing.

"Value versus Growth: Australian Evidence"
Philip Gharghori - Monash University, Australia
Sebastian Stryjkowski - Monash University, Australia
Madhu Veeraraghavan - Monash University, Australia

Discussant: Robert D. Arnott - Research Affiliates, USA

Fama and French (1992) and Lakonishok, Shleifer and Vishny (1994) show that value stocks earn substantially higher returns than growth stocks. Barbee, Mukherji and Raines (1996) and Leledakis and Davidson (2001) show that the ratio of sales-to-price and debt-to-equity are better predictors of average equity returns than book-to-market equity and firm size. In this paper, we evaluate the ability of size, book-to-market, sales-to-price, cash flow-to-price, earnings-to-price and debt-to-equity in explaining the cross-sectional variation in equity returns. Although our findings show that sales-to-price, earnings-to-price and cash flow-to-price are highly significant in explaining cross-sectional variation in equity returns the book-to-market ratio displays the highest level of significance in joint regressions.

"Clairvoyant Value and the Value Effect"
Robert D. Arnott - Research Affiliates, USA
Feifei Li - California Institute of Technology, USA
Katrina F. Sherrerd - Research Affiliates, USA

Discussant: Deniz Kebabci - San Francisco State University, USA

We compare the price of a stock at a given point in time with its ex post realized value— defined by the discounted net present value of subsequent actual cash distributions. We refer to this measure as the "Clairvoyant Value"—the value that a clairvoyant investor with perfect foresight would have placed on the company. We use this measure of Clairvoyant Value to tease out some surprising results relating to the extent to which the market has correctly anticipated various future growth rates and the extent to which investors have paid up for future growth expectations. This provides additional historical evidence on market efficiency and the value effect in the U.S. stock market. We find that, although growth stocks (those trading at high multiples) do historically exhibit superior future growth, the market overpays for superior growth expectations with statistically significance.

SESSION 12	**Monday 2:15-4:00**	**Salon Poseidon**

VALUATION
Session Chair: Michael Doumpos - Technical University of Crete, Greece

"Do Target Shareholder Agreements Induce Bidders to Pay Higher Premiums?"
Francois Belot - Universite Paris-Dauphine, France

Discussant: Stella N. Spilioti - Athens University, Greece

In listed companies, some shareholders can be signatories to agreements that govern their relations. Such agreements are often viewed as means of insulating the firm from the market for corporate control. Specific provisions (namely concerted action, pre-emptive buying rights and re-partitioning of board seats) are indeed likely to influence the outcome of takeovers. Using a sample of French deals, this paper investigates the impact of shareholder agreements on takeover premiums. A shareholder agreement is in force in 27.1% of target companies. A positive relationship between shareholder pacts and takeover premiums is observed. This result is robust to the use of an econometrical specification which treats as endogenous the existence of a shareholder agreement. This finding suggests that shareholder pacts dramatically increase the negotiating power of target shareholders.

"A UK Study of the Residual Income Valuation Model"
Stella N. Spilioti - Athens University, Greece
George A. Karathanassis - Athens University, Greece

Discussant: John Watson - Monash University, Australia

The model by Ohlson (1995) suggests that equity prices are determined by book value and discounted future abnormal earnings. We test the empirical validity of Ohlson's valuation model for the telecommunications sector of the British equity market using panel data techniques. Our empirical findings are not supportive of Ohlson's model, which we interpret as evidence of strong competition in the British telecommunications sector.

"Measuring Efficiency of Australian Equity Managed Funds: Support for the Morningstar "Star" Rating"
John Watson - Monash University, Australia
Jayasinghe Wickramanayake - Monash University, Australia

Discussant: Aline C. Muller - HEC Management School, Belgium

This study evaluates relative efficiency, using data envelopment analysis (DEA), for a sample of 682 Australian managed funds and then examines the implications associated between efficiency and a Morningstar "star" rating. DEA efficiency is investigated by conducting a sensitivity analysis of changes that result using various input-output variable combinations. Areas for improvement are identified for inefficient funds. The dependence of the DEA score on specific fund attributes, management strategy and the operating environment are then examined using a logistic regression. This research identifies a strong association between the average DEA efficiency score using short-, medium- and long-term information and the Morningstar "star" rating. Additionally evidence is provided to support the claim that efficient funds with low Morningstar ratings (lower than 5) are upgraded and that inefficient funds with high Morningstar ratings (higher than 1) are downgraded. The implications of this study to investors and fund managers alike is that efficient funds once identified can be added to a portfolio to enhance returns. Prudential regulators may equally be interested in the strong association found between efficiency measures and Morningstar "star" ratings.

"Using Survey Data to Resolve the Exchange Risk Exposure Puzzle: Evidence from U.S. Multinational Firms"
Ron Jongen - Central Bank Netherlands, The Netherlands
Aline C. Muller - HEC Management School, Belgium
Willem F. C. Verschoor - Erasmus University of Rotterdam, The Netherlands

Discussant: Francois Belot - Universite Paris-Dauphine, France

While in previous literature foreign currency exposure is estimated to be surprisingly small and insignificant, we question in this paper the rationality assumption and show that the traditional use of realized exchange rate changes to approximate unexpected currency shocks leads to a strong underestimation of the influence that exchange rates play in determining firm valuations. In light of a unique survey data base of individual exchange rate expectations, we distinguish between 'realized' and 'unexpected' foreign currency movements and find that half of our sample of 935 U.S. firms with real operations in foreign countries is significantly exposed to 'unexpected' exchange rate movements. In line with previously reported results, foreign exchange risk exposure is found to become increasingly perceptible when the return horizon is lengthened. The difference between the exposure to 'realized' versus 'unexpected' exchange rate movements is however decreasing when lengthening the horizon, suggesting that the more market participants disagree about the future path of currency values, the less investors and/or managers are likely to use the publicly available forecasts in their pricing and hedging decisions.

SESSION 13 **Monday 2:15-4:00** **Jason**

OPTION APPLICATIONS
Session Chair: Elvis Jarnecic - University of Sydney, Australia

"Option-based Sentiment for Portfolio Decisions"
Zahid Rehman - Nomura International PLC, UK
Grigory Vilkov - Goethe University, Germany

Discussant: David Michayluk - University of Technology, Australia

Using data on all US exchange traded individual stock options, we construct a forward-looking measure of stock-specific investor sentiment which correctly identifies from mis-valuation in the current period

and its correction in future periods. This measure is based on the skew of the risk neutral distribution of stock returns and is derived using the methodology of Bakshi, Kapadia, and Madan (2003). We show that high skew stocks (those with positive forward looking sentiment) out-perform low skew stocks (those with negative forward looking sentiment) by as much as 45 basis points per month. Furthermore, the risk premium of a skew-based sentiment factor, long (short) in high (low) skew stocks, is positive in both static and dynamic settings and more robust across different tests than that of the traditional size, value and momentum factors. We also show that myopic CRRA utility-maximizing investors will choose to hold the sentiment factor in the portfolio in addition to traditional factors. A log investor values this addition as much as 2:53% of initial wealth per month. Our results have implications for the segmentation of equity and options markets as well as limits of arbitrage in equity markets.

"Decomposing the Bid-Ask Spread of Stock Options: A Trade and Risk Indicator Model"
David Michayluk - University of Technology, Australia
Laurie Prather - Bond University, Australia
Li-Anne E. Woo - Bond University, Australia
Henry Y.K. Yip - School of Banking and Finance, Australia
William Bertin - Bond University, Australia

Discussant: Sol Kim - Hankuk University of Foreign Studies, Korea

This paper extends Huang and Stoll (1997) to develop a spread decomposition model that includes the costs of trading that are specific to the options market. The trade and risk indicator (TRIN) model includes separate inventory cost components that reflect the market maker's delta, vega, and gamma risk. We find that adverse selection accounts for only 5.53% of option spread, is positively related to liquidity and leverage, and is higher given negative trade imbalances. Of the inventory risk, gamma risk is the largest component (7.01%), surpassing adverse selection risk, while vega risk accounts for 5.16% and delta risk is 4.12%.

"The Performance of Traders' Rules on KOSPI 200 Index Options"
Sol Kim - Hankuk University of Foreign Studies, Korea

Discussant: Grigory Vilkov - Goethe University, Germany

This study focuses on the usefulness of the traders' rules to predict future implied volatilities for pricing and hedging KOSPI 200 index options. There are two versions of this approach. In the "relative smile" approach, the implied volatility skew is treated as a fixed function of moneyness. In the "absolute smile" approach, the implied volatility skew is treated as a fixed function of the strike price. It is found that the "absolute smile" approach shows better performance than Black and Scholes (1973) model and the stochastic volatility model for both pricing and hedging options. Consistent with Jackwerth and Rubinstein (2001) and Li and Pearson (2007), the traders' rules dominate mathematically more sophisticated model, the stochastic volatility model. The traders' rules can be an alternative to the sophisticated and complicated models for pricing and hedging options.

SESSION 14 **Monday 2:15-4:00** **Odysseas**

LONG-TERM DYNAMICS
Session Chair: Eliza Wu - University of New South Wales, Australia

"Evaluating Currency Crises: A Multivariate Markov Regime Switching Approach"
Kostas Mouratidis - Sheffield University, UK
Dimitris Kenourgios - University of Athens, Greece
Aristidis Samitas - University of the Aegean, Greece
Dimitris Vougas - Swansea University, UK

Discussant: Photios C. Harmantzis - FX Concepts, USA

This paper provides the empirical framework to analyze the nature of currency crises by extending earlier work of Jeanne and Masson (2000) and Mouratidis (2008). Jeanne and Masson (2000) suggest that a currency crisis model with multiple equilibria can be estimated using Markov regime switching (MRS) models. However, Jeanne and Masson (2000) assume that the transition probabilities across equilibria are constant and independent of fundamentals. In this set up, the currency crisis is driven by a sunspot unrelated to fundamentals. Cipollini et al. (2008) extend the work of Jeanne and Masson (2000) by allowing transition probabilities across regimes to be functions of the observed dynamics of fundamentals. This paper further contributes to the literature by suggesting a multivariate MRS model, ?first introduced by Phillips (1991), to be used to analyze the nature of currency crises. In the new set up, one can test for the impact of the unobserved dynamics of fundamentals on the probability of devaluation. Empirical evidence shows that expectations about fundamentals, which are reflected by their unobserved state variables, not only affect the probability of devaluation but can also be used to forecast a currency crisis one period ahead.

"Modeling Exchange Rate Movements with Cross-Markets and Macroeconomics Variables"
Photios C. Harmantzis - FX Concepts, USA
Linyan Miao - Stevens Institute of Technology, USA

Discussant: Javier Poblacion - Banco de Espana, Spain

This paper proposes to model exchange rate movements by integrating cross markets explanatory variables, such as country equity indices and commodity prices (crude oil) with macroeconomics variables such as inflation and interest rates. The empirical analysis is carried out through the vector autoregression (VAR) methodology, as well as Granger causality, cointegration tests, impulse responses and variance decomposition. The testing period is from January 1989 to October 2008, i.e, includes the recent financial crisis episode. Our universe is limited to the most liquid developed markets. We find evidence that the financial markets variables, individually and jointly, outperform the macroeconomics variables in determining exchange rates. The oil price has been the strongest driver for the US dollar, with soaring oil prices leading to dollar depreciation against the major currencies: EUR, GBP, JPY and CAD.

"A Common Long-Term Trend for Crude Oil and Refined Products: An Application for Crack-Spread Option Valuation"
Andres Garcia Mirantes - IES Juan del Enzina, Spain
Javier Poblacion - Banco de Espana, Spain
Gregorio Serna - Universidad de Castilla-La Mancha, Spain

Discussant: Dimitris Kenourgios - University of Athens, Greece

In this paper we show that crude oil prices and the most important refined product prices— i.e., the prices of gasoline and heating oil— are not only cointegrated, as shown in previous studies, but also share a common long-term trend. Preliminary evidence on this issue is found through principal component analysis. More formal evidence is found by proposing different factor models to explain the dynamics of commodity prices jointly. The most appropriate model in terms of simplicity and fit is the one that assumes a common long-term trend for all three commodity prices. Based on these results we value the crack-spread options listed by NYMEX, finding that the most suitable way to value these options is to assume a common long-term trend for crude oil and refined product prices.

"Bayesian Student-t GARCH Model for Asian FX Data"
Wantanee Surapaitoolkorn - Chulalongkorn University, Thailand

Discussant: Seppo Pynnonen - University of Vaasa, Finland

The aim of the paper is to study the student t- GARCH(1,1) model used in financial time series, and to perform inference using a Bayesian approach. The paper concentrates on using Financial Asian Foreign Exchange (FX) data including time series for Thailand, Singapore, Japan and Hong Kong. The time period this particular FX data set covers includes the recent biggest crisis in Asian financial markets in 1997. The analysis involves exploring high frequency financial FX data where the sets of data used are the daily and hourly opening FX rates. The Bayesian computational approach used for making inference about the model parameters is Markov Chain Monte Carlo (MCMC). The key development of the paper is the implementation of the Gibbs sampler used for making inference about the student-t GARCH parameters. The objective is to improve the performance of the MCMC method.

DEBT & STOCK PRICES

Session Chair: Robert Cressy - University of Birmingham, UK

"Dynamic Correlation Hedging in Copula Models for Portfolio Selection"

Denitsa Stefanova - VU University Amsterdam, The Netherlands
Redouane Elkamhi - University of Iowa, USA

Discussant: Dirk Baur - Dublin City University, Ireland

In this paper we address the problem of solving for optimal portfolio allocation in a dynamic setting, where conditional correlation is modeled using observable factors, which allows us to isolate the demand for hedging correlation risk. We are able to analyze separately the impact of tail dependence through the unconditional distribution and that of conditional correlation on portfolio holdings. With those distinct ways of modeling dependence we aim at replicating the stylised fact of increased dependence during extreme market downturns, rising market-wide volatility, or worsening macroeconomic conditions. We find that both correlation hedging demands and intertemporal hedges due to increased tail dependence have distinct portfolio implications and cannot act as substitutes to each other. As well, there are substantial economic costs for disregarding both the dynamics of conditional correlation and the dependence in the extremes.

"A Quantile Regression Approach to Analyze Stock-Bond Correlations"

Dirk Baur - Dublin City University, Ireland

Discussant: Emmanuil Noikokyris - University of Essex, UK

This paper examines the conditions under which investors flee from stocks to bonds or vice versa. Daily and weekly stock and bond returns are analyzed to determine when investors start to flee from a market and re-balance their portfolios. We use a theoretical model that demonstrates why rational investors deviate from the optimal portfolio weights and under which conditions they re-balance their portfolios. Quantile Regression is employed to analyze empirically when investors flee from certain asset classes. The results demonstrate significant advantages of this approach compared to commonly employed (dynamic) correlation estimates. The approach can quasi-endogenously identify different regimes of stock-bond co-movements and directly distinguish between flight-to-quality and flight-from-quality. Our empirical results for eight major stock and bond markets show that there are three distinct regimes of stock-bond co-movements. Time-varying quantile estimates further show that there is a positive trend in the likelihood and severity of flights. The findings show that diversification between stocks and bonds is effective especially in times when it is needed most.

"Monetary Policy Regimes and Stock Returns: Evidence from the UK"

Georgios Chortareas - University of Athens, Greece
John Nankervis - University of Essex, UK
Emmanuil Noikokyris - University of Essex, UK

Discussant: Anestis C. Ladas - University of Macedonia, Greece

This study concerns an empirical examination of the relationship between monetary policy and equity returns in the UK. A major area of concern is the identification of this relationship during the period after the policy reform of 1997, when the Bank of England has been endowed with the responsibility of conducting monetary policy independently, and for this reason we examine among others the role of the release of the Inflation Report and the minutes of MPC meetings. Moreover, we examine some asymmetries in this relationship and the response of value, growth, and size portfolios on monetary policy shocks. Finally, a section of this study concerns some international aspects of monetary policy, and in particular we examine not only the effects of the UK monetary policy on the equity markets of the US, the Euro Area, New Zealand, Japan, Australia, Canada, and Sweden, but also the effects of the Fed’s and the ECB’s actions on the UK equity market.

Refreshments **4:00-4:15 p.m.**

SESSION 16 **Monday 4:15-6:00** **Salon Achilles**

MARKET INEFFICIENCIES
Session Chair: George Athanassakos - The University of Western Ontario, Canada

"Style Investing with Uncertainty"
Deniz Kebabci - San Francisco State University, USA

Discussant: Joseph P. Ogden - University at Buffalo, USA

This paper analyzes the predictability of different style portfolio returns. Styles, as used in this paper and Barberis and Shleifer (2003), can be defined as groups of securities with a common characteristic, such as value (Graham and Dodd (1934)) and size (Banz (1979)). I specifically look at the determinants of style investing, such as style momentum and predictor variables such as macroeconomic variables (e.g. yield spread, inflation, industrial production, etc.), and show how learning about these variables affects the predictability of different style portfolio returns compared to linear models. A time-varying parameter model and a Kalman filter are used to take into account the effect of learning in this paper. At the end, I find that returns on style portfolios such as value and size appear to be related to the yield spread and other macroeconomic variables. This paper also finds that time-varying parameter models provide better in-sample and out-of-sample predictions then simple benchmark constant parameter models.

"Information in Balance Sheets for Future Stock Returns: Evidence from Net Operating Assets"
Georgios Papanastasopoulos - University of Piraeus, Greece
Dimitrios Thomakos - University of Peloponnese, Greece
Tao Wang - University of New York, USA

Discussant: Joseph Potvin - Treasury Board of Canada Secretariat

This paper extends the work of Hirshleifer et al. (Journal of Accounting and Economics, 38, 2004) on the net operating assets (NOA) anomaly. After controlling for current profitability, we find a negative relation of NOA and NOA asset components with future stock returns. We also find that the hedge strategies on NOA and NOA asset components generate abnormal returns and survive the statistical arbitrage test of Hogan et al. (Journal of Financial Economics, 73, 2004). Our overall analysis is highly suggesting that the NOA anomaly may be present due to accounting distortions that arise from earnings management.

"Do Asset Pricing Anomalies have a Common Link? Empirical Analyses of Risk-Proxies, Cash Flows, and Stock Returns"
Julie Fitzpatrick - SUNY Fredonia, USA
Joseph P. Ogden - University at Buffalo, USA

Discussant: Georgios Papanastasopoulos - University of Piraeus, Greece

We propose and test a hypothesis that four previously-documented asset pricing anomalies have a common link that involves a relationship between year t profit and external financing. The four anomalies are: A1: Earnings momentum and post-earnings announcement drift; A2: The failure-risk anomaly; A3: The external financing anomaly; and A4: The book-to-market (BM) anomaly. Using panel data on portfolios of U.S. firms (1980-2007), we systematically examine interactions among several risk-proxy variables, cash flows, and portfolio returns. The evidence is consistent with our hypothesis of a common link.

SESSION 17 **Monday 4:15-6:00** **Salon Poseidon**

BANKING II
Session Chair: George Christodoulakis - University of Manchester, UK

"The Effect of Board Size and Composition on Bank Efficiency"

Maria-Eleni K. Agoraki - Athens University of Economics and Business, Greece
Manthos D. Delis - University of Ioannina, Greece
Panagiotis K. Staikouras - University of Piraeus, Greece

Discussant: Clovis Rugemintwari - University of Limoges, France

This paper analyzes the relationship between board structure, in terms of board size and composition, and bank performance. Unlike previous studies, the present analysis is carried out within a stochastic frontier framework. To this end, bank performance is proxied by both cost and profit efficiency, measures that present considerable advantages over simple accounting ratios. The empirical framework formed is applied to a panel of large European banks operating during the period 2002-2006. We find that board size negatively affects banks' cost and profit efficiency, while the impact of board composition on profit efficiency is non-linear. Finally, introducing risk-taking (credit risk) as an interaction component of board size and composition does not affect the robustness of the results.

"Excess Capital of European Banks: Does Bank Heterogeneity Matter?"

Alain Angora - University of Limoges, France
Isabelle Distinguin - University of Limoges, France
Clovis Rugemintwari - University of Limoges, France

Discussant: Michael Doumpos - Technical University of Crete, Greece

Using a sample of European banks over the period 1992-2006, we show that factors such as cost of equity, risk, size, peer and market discipline can explain banks' excess capital but that these general results conceal important differences across banks: the determinants of excess capital differ depending on banks' size, activity and funding mode. More precisely, we show that the market discipline, economic cycle, and ex post risk variables are significant only for banks heavily relying on market funding. This suggests that market exerts a pressure on those banks so that they hold more excess capital. We also show that market pressure influences both large and small banks, but that the excess capital of small banks appears influenced by the regulatory pressure. Thus, given the high heterogeneity of excess capital behaviors highlighted in this study, we can suspect that the consequences of Basel II through its first pillar will be contrasted. For example, banks highly relying on market funding could be only slightly affected by the refinement of the capital minimum adequacy ratio (Pillar 1) in Basel II if market pressure is what matters most for these banks.

"A Multicriteria Approach to Bank Rating"

Michael Doumpos - Technical University of Crete, Greece
Constantin Zopounidis - Technical University of Crete, Greece

Discussant: Simon Wolfe - University of Southampton, UK

Bank rating refers to the analysis of a bank's overall viability, performance and risk exposure. Within the recent financial turmoil, bank rating has become extremely important. Typically, bank rating is performed through empirical procedures that combine financial and qualitative data into an overall performance index. This paper presents a case study on the implementation of a multicriteria approach to bank rating. The proposed methodology is based on the PROMETHEE II method. A rich set of evaluation criteria are used in the analysis, selected in accordance with widely accepted bank rating principals. Special emphasis is put on the sensitivity of the results with regard to the relative importance of the evaluation criteria and the parameters of the PROMETHEE method. Analytic and Monte Carlo simulation techniques are used for this purpose.

"The Implications of Risk Transmission for Depositor Protection"

George McKenzie - University of Southampton, UK
Simon Wolfe - University of Southampton, UK

Discussant: Maria-Eleni K. Agoraki - Athens University of Economics and Business, Greece

This paper investigates the nature of risks faced by banks and the ways in which bank regulators seek to

protect depositors. We analyze how deposit insurance, the lender of last resort function and other safety net components combine for the protection of depositors. Using a conceptual framework based on modeling deposit insurance as a contingent claim we provide insights into how liquidity risk as well as solvency risk impact the cost of providing deposit insurance. In addition we assess where these risks are transferred if depositors are fully protected from them. Our core finding is that when depositor protection measures are not fairly priced banks have the incentive to take on excessive risks.

SESSION 18 **Monday 4:15-6:00** **Jason**

MICROSTRUCTURE I
Session Chair: Anna Zalewska - University of Bath, UK

"The Impact of Change in Tick Size Rule on Market Liquidity: Evidence from Australian Stock Exchange"
Mehdi Sadeghi - Macquarie University, Australia
Kai Zhang - Macquarie University, Australia

Discussant: Joseph Yagil - University of Haifa, Israel

The minimum price variation often referred to as tick size and known as minimum price step in Australia, implies that both quoted and transaction prices must be stated in terms of this basic unit. The minimum price rules limit the minimum bid-ask spread that can be quoted. On 1 April 2005, the Australian Stock Exchange reduced the minimum tick size for stocks priced between $0.5 and $2. We examine the market liquidity of the stocks affected by the tick size change, using comprehensive intra-day trading and quoting data and an event study methodology. We found that quoted spreads declined by 18 present and displayed market depths declined by 57 percent after the event. , In addition, overall market depth in the limit order book, also. declined significantly. Although the limit order submission strategy was more aggressive, we found no convincing evidence of an increase in the trading activity. Our findings also indicate that reduction in the minimum tick size had no impact on the order exposure for the stock that experienced tick size reduction.

"Price Limits And Informational Efficiency"
Tamir Levy - Netanya Academic College, Israel
Joseph Yagil - University of Haifa, Israel

Discussant: Elvis Jarnecic - The University of Sydney, Australia

Many of the empirical studies involving the estimation of the return-generating process (RGP) under conditions of a price-limit regime base their arguments on the equality of the aggregate market return during a k-day limit sequence and the aggregate theoretical return during those periods had the exchange not adopted a price-limit regime. Using an extension of Vives' (1995) model, we investigate whether this equality actually holds. We demonstrate that the RIP may not hold when noise traders act in the markets.

"Institutional and Retail Participants in Options Markets: Liquidity and Position Taking Profits"
Elvis Jarnecic - The University of Sydney, Australia
Kevin Liu - The University of Sydney, Australia

Discussant: Asli Ascioglu - Bryant University, USA

This paper examines the source and determinants of trading profitability for institutional and retail traders on an options market. Unique data is used identifying institutional and retail trades on the ASX exchange traded option market. Both institutional and retail traders are found to derive a substantial proportion of their total profitability from providing liquidity but incur significant losses from price movements unfavorable to their inventory position. Although both trader groups lose to market makers, institutional traders perform better than retail traders. Both trader groups are documented to initiate a small proportion of transactions they are involved in. They thus appear to be best characterized as net liquidity suppliers in a market maker environment. It is also found that institutional traders have stronger ability to process and utilize both order flow and exogenous market sensitive information than retail traders.

"An Examination of Minimum Tick Sizes on the Tokyo Stock Exchange"
Asli Ascioglu - Bryant University, USA
Carole Comerton-Forde - University of Sydney, Australia
Thomas H. McInish - University of Memphis, USA

Discussant: Mehdi Sadeghi - Macquarie University, Australia

In setting a minimum tick size, exchanges balance the competing objectives of lowering transaction costs and encouraging liquidity provision by minimizing stepping-ahead risk. We examine the trade-off between these two types of costs by examining the proportion of time that the quoted spread equals the minimum tick size. We undertake this analysis on the Tokyo Stock Exchange, a market which sets nine different tick sizes based on stock price. PTIMEMIN varies markedly across stocks, ranging from almost zero to almost one hundred percent. We find that trade size, the number of trades, and price are the most important determinants of whether the minimum tick size is a binding constraint. Moreover, trade size and number of trades are at least as important determinants than price. Consequently, we argue that tick size should be set based on trading activity and price, rather than price alone.

SESSION 19 **Monday 4:15-6:00** **Odysseas**

PORTFOLIO CONSTRUCTION
Session Chair: Peter Carayannopoulos - Wilfrid Laurier University, Canada

"Taking Advantage of Global Diversification: A Mutivariate-Garch Approach"
Elena Kalotychou - Cass Business School, UK
Sotiris K. Staikouras - Cass Business School, UK
Gang Zhao - Cass Business School, UK

Discussant: Theodore Syriopoulos - University of the Aegean, Greece

We gauge the economic value of covariance estimators by assessing the risk-return performance of the resulting mean-variance efficient portfolios. A dynamic asset allocation framework with three different strategies is deployed. The multivariate covariance forecasts compete against simpler univariate approaches in an out-of-sample volatility timing setup. A two-layer portfolio construction process for global asset allocation is developed to overcome the problem of large dimensional covariance structures faced in the portfolio diversification practice. The empirical results suggest the multivariate covariance forecasts outperform their univariate counterparts in terms of economic value and the two-layer global asset allocation is favored over conventional portfolio selection approaches.

"Hedge Funds: Investment Strategies and Return Performance"
Theodore Syriopoulos - University of the Aegean, Greece
Efthimios Roumpis - University of the Aegean, Greece

Discussant: Varouj Aivazian - University of Toronto, Canada

The study presents an application of multivariate regime switching copula models, in order to model the joint distributions of selected hedge fund classes / strategies and traditional capital markets. Our empirical interest focuses on testing for the presence of any asymmetric dependence structures between these sample hedge fund classes and benchmark capital market returns. A number of different specifications of canonical vine copulas are incorporated into a Markov switching two-regime framework to capture hedge fund reactions in bear and bull market phases. We apply this empirical framework on core and complementary hedge fund strategies as well as on traditional asset classes and produce substantial evidence of asymmetric dependence structures between hedge fund strategies and conventional capital markets. Furthermore, our empirical results reveal a high dependence regime with high estimated correlations and a low dependence regime with lower estimated correlations.

"Portfolio Choice Implications of Parameter and Model Uncertainty in Factor Models"
Deniz Kebabci - San Francisco State University, USA

Discussant: Eleni Thanou - Technical Institute of Larisa, Greece

This paper examines the portfolio choice implications of incorporating parameter and model uncertainty in (conditionally) linear factor models using industry portfolios. I examine a CAPM, a linear factor model with different predictor variables (dividend yield, price to book ratio, price to earnings ratio, and price to sales ratio), and a time-varying CAPM. All approaches incorporate parameter uncertainty in a mean-variance framework. I consider a time-varying CAPM with changing conditional variance. It is shown that taking into account the time variation in market betas improves the portfolio performance as measured by the ex-post Sharpe ratio compared to both an unconditional CAPM and a linear factor model with predictor variables. I also show the implications of using a Black- Litterman framework versus using a standard mean-variance approach in the asset allocation step. Black-Litterman framework can be thought as a model averaging approach and thus helps deal with both the parameter and model uncertainty problems. I show that Black-Litterman approach results in portfolios with a higher Sharpe ratio than those obtained by a standard mean-variance framework using a single model or historical averages.

"Temporal Aggregation and Systematic Sampling Effects in Testing Mutual Funds Portfolio Performance. Some Monte Carlo Results."
Eleni Thanou - Technical Institute of Larisa, Greece
Dikaios Tserkezos - University of Crete, Greece

Discussant: Elena Kalotychou - Cass Business School, UK

In this paper, we examine the effects of temporal aggregation and systematic sampling on the efficiency of several portfolio performance criteria. We conduct a series of Monte Carlo simulation experiments which show that the use of temporally aggregated data and systematic sampling may seriously affect the efficiency of widely used performance measures, leading to a general overestimation of the performance of a portfolio.

SESSION 20 **Monday 4:15-6:00** **Megas Alexandros**

CREDIT RISK MODELING II
Session Chair: Laurie Prather - Bond University, Australia

"Financial Contracting and Re-Rating Experience, the Cases of Whole Make, Claw Back and other wise Ordinary Callable Bonds"
Frank Skinner - University of Surrey, UK
Dimitrios Gounopoulos - University of Surrey, UK

Discussant: Panayiotis C. Andreou - Durham University, UK

Existing empirical work supports the notion that make whole and claw back bonds are explained as methods to resolve the under-investment problem. We suggest that if these provisions genuinely resolve the under-investment problem then make whole and claw back provision bonds should share in the benefits from the resolution of the under-investment problem through more frequent credit upgrades and/or less frequent credit downgrade when compared to a similar sample of otherwise similar callable bonds not employing make whole or claw back provisions. We find evidence that make whole call provisions genuinely alleviates the under-investment problem but the claw back provision seems to resolve the under-investment problem at the expense of bondholder's wealth.

"Assessing Implied Volatility Functions on the S&P 500 Index Options"
Panayiotis C. Andreou - Durham University, UK
Chris Charalambous - University of Cyprus, Cyprus
Sprios H. Martzoukos - University of Cyprus, Cyprus

Discussant: Hans Bystrom - Lund University, Sweden

We seek to identify the best approach to model the Implied Volatility Function for pricing S&P 500 index call and put options for the period 1998-2004. Specifically we compare the linear versus the nonlinear estimation approach, symmetric versus asymmetric shapes of the moneyness ratio, transformations of the underlying asset, and estimation using joint sets of calls and puts versus separating calls from puts. We find that in the sample models that are asymmetric functions of moneyness level work better but out of the sample the symmetric functions of the logarithmic transformation of the strike price are the best models. It is optimal to estimate the models non-linearly and with the use of the joint set of out of the money call and out of the money put options instead of separating calls from puts.

"The Age of Turbulence - Credit Derivatives Style"
Hans Bystrom - Lund University, Sweden

Discussant: Yang Liu - Cass Business School, UK

This paper focuses on the many extreme credit default swap spread movements observed during the credit crisis 2007-08 and on how the tails of the spread change distribution significantly differ from those of the normal distribution. As a result, Value at Risk (VaR) estimates based on extreme value theory are found to be more accurate than those based on normal or historical distributions, particularly at more conservative VaR levels. However, not even extreme value theory methods are able to satisfactorily capture the extreme behavior of the credit derivatives market at the peak of the credit crisis. We find the extreme turbulence in the credit derivatives market in July 2007 to be comparable only to that of the US equity market in October 1987.

"A New Approach for the Dynamic Modeling of Credit Risk"
John Hatgioannides - Cass Business School, UK
Yang Liu - Cass Business School, UK

Discussant: Frank Skinner - University of Surrey, UK

It is well known that static models of credit risk are inadequate to meet the increasing demand for hedging credit derivatives since they fail to track the credit risk profile of a structured portfolio over multiple time periods. In this paper, we propose a dynamic credit risk model based on asset growth rate. The model can be used to dynamically analyze and price mainstream credit derivatives, is easy to calibrate and captures adequately both bullish and bearish credit market conditions. We provide two alternative candidates for default conditions and we evaluate them. We illustrate our model for a CDO-type contract. As a dynamic structural model, our approach does not rely on certain type of distributions. However, further extensions can be made to assess the effects of exogenous factors such that pair-wise correlation and interest rate. Following the recent market slide and the ongoing credit crunch, we believe that an “old school” - type intuitive approach will be valuable for market practitioners who are increasingly focusing on new routes to mitigate and hedge risk exposure.

KEYNOTE SPEECH

7:00-7:30 p.m. **Salon Achilles**

Professor Joseph Potvin
Treasury Board of Canada Secretariat

Beyond Ben Graham's Currency Proposal Retrospect and Evolution

RECEPTION WITH FOOD

7:30-8:30 p.m. **Veranta**

Sponsored by
Burgundy Asset Management Ltd.
&
Ben Graham Centre for Value Investing
Richard Ivey School of Business
The University of Western Ontario, Canada

GOVERNANCE I
Session Chair: Edgar Ortiz - Universidad Nacional Autonoma del Estado de Mexico, Mexico

"Decline, Turnaround, and CEO Turnover"
John D. Francis - San Diego State University, USA
Eleni Mariola - Iona College, USA
John F. Manley - Iona College, USA

Discussant: Zhenyu Wu - University of Saskatchewan, Canada

This paper investigates the effect of CEO turnover on the probability of a turnaround for companies that experience decline in their profitability. We also examine whether CEO turnover determines the type of retrenchment strategy chosen so as to hasten the turnaround process. In addition, we test the impact of environmental munificence, size, financial slack, methods of retrenchment and corporate productivity on the probability of turnaround. Our empirical results suggest that financial slack, reduction in expenditures, productivity and CEO turnover are the most important determinants of a turnaround.

"Enterprise Risk Management and Financial Stability in Dual-Board Corporate Governance System"
Zhenyu Wu - University of Saskatchewan, Canada
Yuanshun Li - Ryerson University, Canada
Shujun Ding - York University, Canada
Chunxin Jia - Peking University, China

Discussant: Fayez A. Elayan - Brock University, Canada

This study investigates the effectiveness of the dual-board corporate governance mechanism on enterprise risk management and financial stability in emerging markets. Taking into account both market risk and total risk, we find activities of both boards, board of directors and the supervisory board, in these companies affect corporate risk-taking behaviors significantly, but shed light on different aspects. These findings are of interest and counter-intuitive since prior research concludes ineffectiveness of the dual-board system in China. More detailed issues, such as the endogeneity of board activities and characteristics, reciprocal causality between board behaviors and risk-taking issues, effects of political/governmental policies and ownership structure of controlling shareholders on board behaviors, asymmetrical monitoring effects of two boards on companies with various levels of financial risk, and non-linear effects of meeting frequencies of two boards, are addressed to help better understand the corporate governance-enterprise risk management relationship.

"Backdating of Employee Stock Options: Signaling Effects for Corporate Governance and Internal Control Deficiencies"
Jingyu Li - Brock University, Canada
Fayez A. Elayan - Brock University, Canada
Thomas O. Meyer - Southeastern Louisiana University, USA

Discussant: John F. Manley - Iona College, USA

Backdating occurs when a company retroactively changes option grant dates to a date when its stock was trading at a relatively low price. Firm announcements of backdating have lead to adverse publicity from the media and negative pronouncements from academics regarding the economic effects and motivation of those involved. This research finds that backdating signals to the capital markets that these firms have ineffective governance systems and poor internal controls. Further, nearly half of the backdating investigations show none has occurred or it was unintentional. This indicates the media’s negative attention and the impact on share prices was unwarranted in many cases.

SESSION 22 **Tuesday 8:30-10:15** **Salon Poseidon**

OWNERSHIP
Session Chair: Mehdi Sadeghi - Macquarie University, Australia

"A Re-Examination of Value-Creation through Strategic Alliances"
Uri Ben-Zion - Ben-Gurion University, Israel
Koresh Galil - Ben-Gurion University, Israel
Mosi Rosenboim - Ben-Gurion University, Israel
Hadas Shabtay - Tel-Aviv University, Israel

Discussant: Michael King - Bank for International Settlements, Switzerland

This paper uses a sample of 335 firms participating in strategic alliances in order to re-examine the value creation through strategic alliances. We show that the immediate positive response of stock markets to new strategic alliances is followed by negative abnormal returns. Twenty days after announcements, cumulative positive abnormal return is only evident for the firms with the highest stock market's response to the announcement. We relate the positive abnormal returns reported in previous research to the presence of short-run over-reaction in stock markets and conclude in the market's ability to identify the more valuable alliances.

"Trading Places: Impact of Foreign Ownership Changes on Canadian Firms"
Michael King - Bank for International Settlements, Switzerland
Eric Santor - Bank of Canada, Canada

Discussant: George Georgopoulos - York University, Canada

This paper examines changes in ownership from widely-held to a controlling shareholder or visa versa to measure the impact on performance and capital structure. We also consider whether the purchase of a control stake by a foreign owner has a different impact from a domestic owner. We estimate the impact of ownership changes using a panel of Canadian firms from 1998 to 2005, using propensity score matching to construct an appropriate counter-factual control group. In the short run, the acquisition of a control stake in a widely-held firm, whether by a Canadian or foreign owner, generates a positive abnormal return around the event while the divestiture of a control stake generates minimal stock market reaction. In the longer term, the acquisition of a control stake by a foreigner no impact on performance or leverage. The purchase of a control stake by a Canadian owner is associated with lower ROA and higher leverage. Finally, the divestiture of a control stake is associated with an a decrease in leverage, and higher ROA.

"Ownership Structure and Corporate Performance: The Case of the Greek Shipping Firms"
Theodore Syriopoulos - University of the Aegean, Greece
Michael Tsatsaronis - University of the Aegean, Greece

Discussant: Koresh Galil - Ben-Gurion University, Israel

The study undertakes an empirical financial investigation to assess potential implications of key corporate governance issues for corporate financial performance. A carefully selected sample of Greek shipping companies listed in US equity markets is employed as a case study to test for a number of governance hypotheses. Empirical research on corporate governance in shipping business remains thin, despite a number of interesting shipping firm characteristics, predominantly a profound switch from private family owned and managed companies to publicly listed corporate entities. We focus our attention on the implications that a number of good corporate governance practices can have on the financial performance of the shipping firms; more specifically we study: I) managerial executives directly related to the founding family; ii) ownership concentration by BoD members; and, iii) presence of independent BoD members. We empirically test the impact and the consequences of these hypotheses on the financial performance of the shipping firms.

SESSION 23 **Tuesday 8:30-10:15** **Jason**

CAPITAL STRUCTURE

Session Chair: Oliver Meng Rui - Chinese University of Hong Kong, China

"Does Ownership Structure Matter? An Empirical Analysis of Capital Structure Choices and Firm Performance"

Dimitris Margaritis - AUT University, New Zealand
Maria Psillaki - University of Piraeus, Greece

Discussant: Minna Martikainen - Lappeenranta University of Technology, Finland

This paper investigates the relationship between capital structure, ownership structure and firm performance across different industries using a sample of French manufacturing firms. We adopt productive efficiency as a measure of firm performance and model technology using the directional distance function proposed by Chambers et al. (1996). We employ non-parametric Data Envelopment Analysis (DEA) methods to empirically construct the industry's 'best practice' production frontier and measure firm efficiency as the distance from that frontier. Using these performance measures we examine if more efficient firms choose more or less debt in their capital structure. We summarize the contrasting effects of efficiency on capital structure in terms of two competing hypotheses: the efficiency-risk and franchise-value hypotheses. Using quantile regression methods we are able to test the effect of efficiency on leverage and thus the empirical validity of the two competing hypotheses across different capital structure choices. We also test the direct relationship from leverage to efficiency stipulated by the Jensen and Meckling (1976) agency cost model. Throughout this analysis we consider the role of ownership structure and ownership type on capital structure and firm performance.

"Growth Strategies and Capital Structures of Small and Medium-Sized Enterprises"

Minna Martikainen - Lappeenranta University of Technology, Finland
Jussi Nikkinen - University of Vaasa, Finland

Discussant: Julinda Nuri - University of Surrey, UK

We examine the impact of growth strategies on capital structures using a random sample of 1,153 non-listed incorporated small and medium-sized enterprises (SMEs). We identify the firms with the following four growth strategies: (1) new product development, (2) increasing export, (3) networking, and (4) marketing and sales promotion. Our results show that firms with growth strategies have more long-term and short-term debt than comparable firms with no growth strategies. We also find that the type of the growth strategy affects the choice between long-term and short-term debt. Our results reveal that networking and in particular marketing and sales promotion increase the use of short-term debt, whereas new product development and export activities require more long-term financing. Furthermore, a firm's capital structure is found to depend on a firm's industry, profitability, risk, realized growth, asset structure, and firm size and age.

"Target Adjustment Model Against Pecking Order Model of Capital Structure: Evidence from UK Companies"

Julinda Nuri - University of Surrey, UK

Discussant: Maria Psillaki - University of Piraeus, Greece

This paper tests the explanatory power of target adjustment model of capital structure against the pecking order model in a UK data setting. The traditional target adjustment model predicts that firms adjust their leverage level towards an optimum. The empirical hypothesis derived from static trade-off theory predicts that actual debt ratios partially adjust towards a target, i.e. the gearing levels move upwards or downwards towards a target which represents the optimum gearing level for profit maximization. Myers and Majluf (1984) argued that the information asymmetry that exists between a firm's managers and the market necessitates a pecking order when choosing among the available sources of funds. According to the pecking order theory, internally generated funds are the firm's first choice followed by debt as a second choice and the use of equity as a last resort. The empirical hypothesis that derive from this model associates gearing levels very closely with the retained earnings, dividend policy and investment opportunities. This paper compares the explanatory power of these two models using for the first time UK data. The results from the statistical tests show that the static trade-off model has much greater time series and cross sectional explanatory power than the pecking order model. The issue of "false positive" results is addressed when looking at the statistical power of the models used. Finally this study looks at some of firm's characteristics that can influence capital structure behavior.

SESSION 24 **Tuesday 8:30-10:15** **Odysseas**

FUTURES MARKETS
Session Chair: Markus Leippold - University of Zurich, Switzerland

"Migration of Trading and the Introduction of Single Stock Futures on the Underlying U.S. Stocks"
Andre F. Gygax - University of Melbourne, Australia
Thomas Henker - University of New South Wales, Australia
Wai-Man Liu - University of New South Wales, Australia
Kok Wen Loong - University of Melbourne, Australia

Discussant: Tomasz Piotr Wisniewski - University of Leicester, UK

This study investigates where liquidity and informed trading takes place following the introduction of single stock futures (SSF) contracts on the OneChicago futures exchange. Specifically, we analyze the size and composition of proportional spreads for two sets of stocks, those that have single stock futures contracts and a matched control sample that does not have such contracts. We find that, after controlling for changes in spread determinants, the average proportional spreads, on average, decrease significantly after SSF are introduced. For NYSE stocks, while the average daily trading volume in the cash market is reduced by 389,000 shares, we find a corresponding increase in the average percentage of the adverse selection component in the spread of the cash asset. This pattern indicates a migration of liquidity trading to the SSF market as fund managers appear to adjust their portfolio positions in the secondary SSF market rather than in the primary stock market.

"Speculating on Presidential Success: Exploring the Link between the Price-Earnings Ratio and Approval Ratings"
Tomasz Piotr Wisniewski - University of Leicester, UK
Geoffrey Lightfoot - University of Leicester, UK
Simon Lilley - University of Leicester, UK

Discussant: Barry O'Grady - Curtin University of Technology, Australia

Stock markets and politics are enduring staples of dinner party conversations but surprisingly little is known about the interaction between the two. Here we present evidence for a robust relationship between a key financial measure - the aggregate price earnings ratio – and surveyed approval of the incumbent president. We argue, following the finance literature, that the price-earnings ratio represents a composite measure of investors' hopes and fears. The partially prospective nature of this ratio enables us to shed new light upon the controversy surrounding how the electorate attends to economic circumstances in judging its presidents.

"Commodity Futures and Momentum Trading: Implications for Behavioral Finance"
Barry O'Grady - Curtin University of Technology, Australia
Dan Calder - Curtin University of Technology, Australia

Discussant: Thomas Henker - University of New South Wales, Australia

The purpose of this paper is to expand the research on momentum strategies in the securities market. Specifically, it examines the momentum anomaly in respect to the commodity futures market, and closely follows recent work as studied by Miffre and Rallis (2007). This study identifies one statistically significant short term (1 to 12 months) momentum strategy yielding a return of 7.7% a year. This return is found to be substantially higher during specific periods of the sample. The strategy's average abnormal gain caused by the continuation of returns is shown to be robust to the risk based explanations posited by many authors of the topic. Since the risk explanations do not hold for the momentum anomaly, the alternative explanation indicates towards market inefficiency. The results from this study indicate that market inefficiency is a plausible explanation for momentum profits as realized. Specifically, the abnormal profits seem to be a consequence of irrational investor behavior, which tends to lead to an under-reaction to new market information.

SESSION 25 **Tuesday 8:30-10:15** **Megas Alexandros**

RESTRUCTURING
Session Chair: Ephraim Clark - Middlesex University, UK

"Second Events in Equity Carve-Outs"
Paolo Colla - Universita Commerciale L. Bocconi, Italy
Filippo Ippolito - Universita Commerciale L. Bocconi, Italy

Discussant: Seung Hun Han - Korea Advanced Institute of Science and Technology, South Korea

In most equity carve-outs parents retain shares in the subsidiary. We examine what happens to these shares after the carve-out, by looking at subsequent divestitures, reacquisitions and spin-offs. On a sample of US transactions, we find that in most cases one of these “second” events follows the carve-out and conclude that equity carve-outs are typically the first phase of a two-stage process of corporate restructuring. We examine the market reaction of the subsidiary to the announcement of each type of second event and find that CARs are positive and significant when the second event leads to the clear identification of a buyer, as is the case in a trade sale of the subsidiary to another corporation, or in the reacquisition of shares by the parent. On the contrary, we observe a negative price reaction when the second event leads to the sale of shares to dispersed shareholders, as in seasoned equity offers and spin-offs.

"Internal Corporate Restructuring and Firm Value: The Japanese Case"
Yoon K. Choi - University of Central Florida, USA
Seung Hun Han - Korea Advanced Institute of Science and Technology, South Korea

Discussant: Taufique Samdani - ESCP-EAP, France

We analyze the impact of corporate restructuring on firm value using 132 Japanese corporate restructuring created between the years of 2001 and 2003 (since the establishment of the new Japanese “spin-in” law in 2001). This Japanese restructuring is unique in that a division becomes a new independent subsidiary but still remains under the control of the parent company. Thus, the scope and scale of the internal capital market remains the same under this restructuring. This unique feature enables us to conduct a cleaner test of whether corporate internal restructuring affects firm value and efficiency of internal capital markets, while keeping the scope and scale of the internal capital market intact. We find significant positive average cumulative abnormal returns around the announcements. Also, we find that the diversification discount has reduced and investment sensitivity has increased after spin-in transactions. We provide evidence that changes in firm value and efficiency of internal capital markets are related to the different governance structures – keiretsu affiliation and bank relationships. Thus, we argue that the recent Japanese restructuring reduce information asymmetries and agency problems, thus improving firm value and internal capital markets’ efficiency.

"Is Investor Sentiment Driven by IPO Pricing Mechanism? Evidence from India"
Taufique Samdani - ESCP-EAP, France
Jyoti Gupta - ESCP-EAP, France

Discussant: Filippo Ippolito - Universita Commerciale L. Bocconi, Italy

We propose a dynamically weighted empirical model of sentiment-index that measures investors’ representativeness bias in Initial Public Offerings (IPOs). Our sample data (1995 to 2007) span three regimes of fixed-price and book building IPO pricing mechanisms in India. Consistent with a large body of literature, the results show that sentiment is driven by the IPO market cycle. However, contrary to the general belief, sentiment is not driven by the IPO pricing mechanism.

VOLATILITY
Session Chair: Fayez A. Elayan - Brock University, Canada

"Idiosyncratic Risk in Emerging Markets"
Timotheos Angelidis - University of Peloponnese, Greece

Discussant: Ihsan Ullah Badshah - Hanken School of Economics, Finland

It is well documented that idiosyncratic risk is the most important component of total volatility in developed markets. However, little research has been conducted on the properties of asset specific risk in emerging markets, though they are more volatile, characterized by substantial returns, and represent at least 7.5% of the total world investable market capitalization. Using firm level data for 24 emerging markets, idiosyncratic risk explains 55% of the total volatility, and there is no evidence for an upward trend. Specific and market risk jointly predict market returns as there is a negative (positive) relation between idiosyncratic (market) risk with subsequent stock returns. Idiosyncratic volatility is the most important component of tracking error volatility, as explains 81% of tracking error variability and given that it does not exhibit either a positive or a negative trend the number of stocks, on average, included in a portfolio to keep constant active risk is not needed to be altered.

"Asymmetric Return-Volatility Relation, Volatility Transmission and Implied Volatility Indexes"
Ihsan Ullah Badshah - Hanken School of Economics, Finland

Discussant: Fatma Sonmez - Queen's University, Canada

The purpose of this study is twofold: First, to investigate the asymmetric return-volatility phenomenon with newly adapted robust volatility indexes VIX, VXN, VDAX and VSTOXX. Second, we examine the dynamic implied volatility transmissions across the implied volatility indexes using techniques such as Granger causality, generalized impulse response function and variance decomposition. We find pronounced negative and asymmetric return volatility relationships between each volatility index and its corresponding stock market index. The VIX volatility index presents the highest asymmetric return-volatility relationship followed by the VSTOXX, VDAX and VXN volatility indexes, respectively. Moreover, there are significant spillover effects across the volatility indexes, bi-directional causality running between the volatility indexes. Further, in innovation accounting investigations, the VIX volatility index influences??the other three volatility indexes considerably. However, in the European context, VDAX is the dominant source of information. Our findings have implications for trading strategies, hedging portfolios, pricing and hedging volatility derivatives, and risk management.

"Rethinking Idiosyncratic Volatility: Is It Really a Puzzle?"
Fatma Sonmez - Queen's University, Canada

Discussant: Edgar Ortiz - Universidad Nacional Autonoma del Estado de Mexico, Mexico

In their paper, Ang, Hodrick, Xing, and Zhanf [AHXZ (2006)] show that idiosyncratic volatility [Ivol] is inversely related to future stock returns: low Ivol stocks earn higher returns than do high Ivol stocks. The main contribution of this paper is to provide evidence that it is the month to month changes in Ivol that produce AHXZ's results. More specifically, a portfolio of stocks that move from Quantile 1 (low Ivol) to Quantile 5 (high Ivol) earns an average risk-adjusted return of 4.52% per month in the month of the change. Whereas, a portfolio of stocks that move from the highest to the lowest Ivol Quantile earns -0.73 per month in the month of the change. Eliminating all firm-month observations with Ivol Quantile changes, I find, opposite to the results of AHXZ, that low Ivol stocks consistently earn lower returns than do high Ivol stocks. I find that many of the extreme changes in Ivol are related to business events. In general, the pattern usually observed is that an announcement or an event increases uncertainty about a stock and hence, its Ivol increases. After the event, uncertainty is resolved and then the stock returns to a lower Ivol Quantile.

"Conditional Value at Risk Modeling Applying Extreme Value Theory for the Peso/Dollar Exchange Rate"

Raul de Jesus Gutierrez - Universidad Autonoma del Estado de Mexico, Mexico
Edgar Ortiz - Universidad Nacional Autonoma del Estado de Mexico, Mexico
Alejandra Cabello - Universidad Autonoma del Estado de Mexico, Mexico

Discussant: Timotheos Angelidis - University of Peloponnese, Greece

Currency trading has become one of the most important investment alternatives during the last five decades. Furthermore, today in the global economy exchange risk management commands a great deal of attention; large losses, to internationally oriented corporations, governments and both individual and institutional investors can be derived from high volatilities and currency shocks much too frequent in exchange markets, particularly when international diversification includes currencies and assets from emerging markets. Nevertheless, conventional Value at Risk (VaR) models fail to take into account the size and probability of extreme returns from exchange rates; risk tends to be underestimated if normality in the distribution of returns is assumed since full information from the tails of the distributions is not included. To address this problem we develop and apply an extended Conditional Value at Risk model integrating a generalized extreme value distribution to estimate potential losses from investing in the peso/dollar exchange market, using high frequency daily data for the period 1970-2007. Estimations are presented for short and long positions in peso/dollar investments. Our evidence confirms the potential from the generalized extreme value distribution to adequately explain the extreme behavior from exchange rates. The tail indexes show that returns from exchange rates for the peso/dollar series are characterized by heavy tails and show a higher propensity to experience greater losses than those shown by other VaR estimations; the evidence supports the hypothesis that EVT is a more precise and conservative approach estimation than conventional VaR and CVaR models. Finally, back testing is used to gauge robustness of the results.

SESSION 27 **Tuesday 10:30-12:15** **Salon Poseidon**

INVESTMENTS I
Session Chair: Jyoti Gupta - ESCP-EAP, France

"Time-Varying Global and Local Sources of Risk in Russian Stock Market"
Kashif Saleem - Lappeenranta University of Technology, Finland
Mika Vaihekoski - Turku School of Economics, Finland

Discussant: Neophytos Lambertides - Aston University, UK

In this paper we study international asset pricing models and the pricing of global and local sources of risk in the Russian stock market from US investors' point of view using weekly data from 1999 to 2006. In our empirical specification, we utilize the multivariate GARCH-M framework of De Santis and Gerard (1998). Similar to them we find price of global market risk to be time-varying. Currency risk also found to be priced and highly time varying in the Russian market. Moreover, our results suggest that the Russian market is partially segmented and local risk is also priced in the market. The model also implies that the biggest impact on the US market risk premium is coming from the world risk component whereas the Russian risk premium is on average caused mostly by the local and currency risk components.

"The Role of Growth Options in Explaining Stock Returns. Is Book-to-Market Dead?"
Lenos Trigeorgis - University of Cyprus, Cyprus
Neophytos Lambertides - Aston University, UK

Discussant: Johan Knif - Hanken School of Economics, Finland

We extend the Fama-French (1992) model by considering growth option variables in explaining the cross-section of stock returns. We find that growth option variables, namely growth in capital investment and yet-unexercised growth options (GO), are significantly negatively related to stock returns. Investors may be willing to accept lower returns from (small) growth stocks in exchange for a more favorable (asymmetric) risk-return profile. Book-to-market seems to proxy for omitted distress and growth option factors. When these are explicitly accounted for, B/M is no longer significant. Our main contributions are to (a) provide evidence for a comprehensive asset pricing model incorporating growth option variables;

(b) re-examine the incremental role of book-to-market in explaining returns once distress and growth option variables are included; and © shed light on the conditionality of stock returns on firm-specific characteristics.

"Asset Pricing with Exchange and Inflation Risks"
Johan Knif - Hanken School of Economics, Finland
James W. Kolari - Texas A&M University, USA
Seppo Pynnonen - University of Vaasa, Finland

Discussant: Nuttawat Visaltanachoti - Massey University, New Zealand

The Capital Asset Pricing Model (CAPM) assumes that asset prices are measured with stable valued currency and stable general price levels. In this paper we relax these unrealistic assumptions and derive a CAPM with exchange and inflation risks (CAPMXI). We find that market beta is affected by exchange and inflation risks. An empirical version of the CAPMXI is specified using a scaled-factor model approach and time-series regression evidence reported for U.S. stocks. Since a considerable proportion of stocks is sensitive to market risk associated with both dollar value and general price level movements, we conduct further GMM tests which show that exchange and market risks are significantly priced in U.S. stocks. We conclude that total market risk is affected by exchange and inflation risks.

"Does the Other January Effect Have Market Timing Ability?"
Ben R. Marshall - Massey University, New Zealand
Nuttawat Visaltanachoti - Massey University, New Zealand

Discussant: Kashif Saleem - Lappeenranta University of Technology, Finland

The Other January Effect (OJE), which suggests positive (negative) equity market returns in January predict positive (negative) returns in the following 11 months of the year, does not outperform a buy-and-hold approach in the US equity market and therefore adds no value to market timers. There is also no evidence of the OJE working consistently on individual stocks or international markets. The OJE requirement that the abnormally high January return be observed imposes a large opportunity cost. We highlight potential pitfalls of inferring the market timing ability of the OJE from the spread of 11-month returns following positive and negative Januaries.

SESSION 28	**Tuesday 10:30-12:15**	**Jason**

INFORMATION & RETURNS
Session Chair: Minna Martikainen - Lappeenranta University of Technology, Finland

"Short Interest, Insider Trading, and Stock Returns"
T. Y. Leung - City University of Hong Kong, China
Oliver Meng Rui - Chinese University of Hong Kong, China
Steven Shuye Wang - Hong Kong Polytechnic University, China

Discussant: Robert Brown - University of Melbourne, Australia

We examine the effects of short selling and the combined effects of two forms of informed trading – short selling and insider trading on stock price movements in the Hong Kong stock market. Short selling in Hong Kong is characterized by a high frequency of transactions. We provide empirical evidence that short-selling transactions carry information that signals a future decrease in the share price. We also find that insider purchasing helps to mitigate the negative impact of short-selling transactions. Our regression results show that the magnitude of abnormal losses is related to the value of the short-selling transaction, the presence of insider purchasing, and whether the security being sold is also an optioned stock.

"Analysts' Recommendations, Signaling, Timeliness and Regulation Fair Disclosure"
Robert Brown - University of Melbourne, Australia
Howard W.H. Chan - University of Melbourne, Australia
Yew Kee Ho - National University of Singapore, Singapore

Grace Weiying Yan - National University of Singapore, Singapore

Discussant: Chia-Ying Chan - Yuan Ze University, Taiwan

When an analyst releases a recommendation, the stock market may respond to the level of the recommendation or to the difference between the recommendation and a benchmark. Two benchmarks have received considerable attention: the analyst's previous recommendation and the consensus recommendation. We find that, after accounting for the level of recommendation, upgrades (downgrades) relative to both benchmarks result in positive (negative) stock price reactions. Even the potentially ambiguous signals - upgrades to 'underperform' and downgrades to 'buy' - conform to this pattern. When tested simultaneously, the change relative to the analyst's previous recommendation is highly significant but the change relative to the consensus recommendation is an even stronger signal because the consensus recommendation is more timely. However, this conclusion is conditional on the number of analysts covering the firm. Finally, there is some evidence that Regulation Fair Disclosure affected the informativeness of upgrades for prior recommendations in a statistically significant way but the impact is of questionable economic significance.

"Price Interaction between UK Covered Warrants and their Underlying Shares: A Panel Cointegration Approach"

Chia-Ying Chan - Yuan Ze University, Taiwan
Christian de Peretti - University of Lyon, France

Discussant: Yuliang Wu - Queen's University Belfast, UK

This paper contributes to the literature by marking the first attempt to investigate the UK covered warrants market, which first emerged in October, 2002. The paper delineates the theme of a new nonlinear panel unit root test, which mitigates the cross sectional dependencies between the series. The empirical results demonstrate that the synchronous trading in UK leads to a long-run price equilibrium, with no lead and lag relation between covered warrants and their underlying shares. Thus, covered warrants permit approximations of the underlying share prices, based on the results of an estimation of implied share prices.

SESSION 29 **Tuesday 10:30-12:15** **Odysseas**

ASSET PRICING II

Session Chair: Thomas Henker - University of New South Wales, Australia

"Portfolio Policies with Stock Options"

Yuliya Plyakha - Goethe University, Germany
Grigory Vilkov - Goethe University, Germany

Discussant: Markus Leippold - University of Zurich, Switzerland

We study the partial equilibrium portfolio optimization problem for a myopic CRRA investor who can trade options on individual stocks. Applying the parametric portfolio approach of Brandt, Santa-Clara, and Valkanov (forthcoming) to derivatives, we show that options characteristics (such as implied volatility and IV smile skew) convey information about the misspricing in the option portfolios. We take the data on all US-traded options to build characteristic-based factor portfolios of options. An investor uses them in addition to the market portfolio and Fama and French (1992) factors in her utility maximization. Surprisingly, portfolios based on the IV smile skew turn out to be less important than IV-based portfolios, and factor portfolios from call options are in general more interesting for an investor than the factors from puts. Market frictions in the form of stock short-sale constraints are compensated by the use of options, and having options with no stock short-sales allowed may be better than having only stocks with short-sales permitted. Monthly re-balancing leads to extreme transaction costs for an investor facing the full bid-ask spread, providing limits to arbitrage interpretation of the documented misspricing in the option portfolios.

"Equilibrium Implications of Delegated Asset Management under Benchmarking"

Markus Leippold - University of Zurich, Switzerland
Philippe Rohner - University of Zurich, Switzerland

Discussant: Denitsa Stefanova - VU University Amsterdam, The Netherlands

Despite the enormous growth of the asset management industry during the past decades, little is known so far about the asset pricing implications of investment intermediaries. Investment objectives of professional asset managers such as mutual funds differ from those of private households. However, standard models of investment theory do not address the distinction between direct investing and delegated investing. Our objective is to get a formal understanding of equilibrium implications of delegated asset management. In a model with endogenous delegation, we find that delegation under benchmarking leads to more informative prices, to a beta adjustment, and to significantly lower equity premia.

"A New Methodology for Measuring and Using the Implied Market Value of Aggregate Corporate Debt in Asset Pricing: Evidence from S&P 500 Index Put Option Prices"
Robert Geske - University of California Los Angeles, USA
Yi Zhou - University of Oklahoma, USA

Discussant: Dirk Baur - Dublin City University, Ireland

The primary purpose of this paper is to introduce a new methodology for measuring the daily implied market value of aggregate market debt and analyzing the resultant risk effects of stochastic leverage on asset prices in the economy. To our knowledge this is the first paper to attempt to directly isolate and analyze the effects of the implied market value of aggregate market debt on equity index option prices. We present what we believe are the first implied measures of the market value of aggregate corporate debt. We derive the implied market value of aggregate debt from option theory using only two contemporaneous market prices for the index price level and index option price. We demonstrate that this parsimonious model which includes the implied market value of aggregate debt results in significant statistical and economic improvements in the pricing of S&P 500 index put options relative to more complex models which omit leverage.

"The Optimal Call Policy for Corporate Convertible Bonds: Is There a Market Memory Effect?"
Chris Veld - University of Stirling, UK
Yuriy Zabolotnyuk - Carleton University, Canada

Discussant: Yuliya Plyakha - Goethe University, Germany

This paper examines the market memory effect in convertible bond markets. More specifically, we look at the pricing of convertible bonds issued after the original issuer adversely redeemed previous issues without giving an opportunity for investors to benefit from bond value appreciation. We find evidence that the market underprices new convertible bond issues of firms that call their bonds early. We also find that the degree of market underpricing depends on whether the convertibles are more debt- or equity-like.

SESSION 30 Tuesday 10:30-12:15 Megas Alexandros

IPOS
Session Chair: Robert Brown - University of Melbourne, Australia

"Market Volatility and the Timing of IPO Filings"
Walid Busaba - University of Western Ontario, Canada
Daisy Li - University of Western Ontario, Canada
Guorong Yang - University of Western Ontario, Canada

Discussant: Yew Kee Ho - National University of Singapore, Singapore

Using a sample of all non-financial firms that filed IPOs with SEC between 1984 and 2004, we investigate the impact of market volatility on the time variation in IPO filing volume at the aggregate market level and the industry level. We find that an increase in market/industry volatilities have a significant positive impact on IPO filing volume especially when the stock market conditions are =normal,‘ i.e. when market/industry stock returns are neither too high nor too low. This positive impact is more pronounced for IPO filings in =new‘ industries (computers, software, electronic equipment, and telecommunications) relative to traditional industries. These results are consistent with our hypothesis that the ability to discover investor valuations before deciding to sell shares gives firms filing with the SEC an =option‘ on the uncertain offer price. This option has value not only in a strong stock market but also in a volatile market. Furthermore, option theory implies that the marginal effect of volatility is highest in =normal‘ stock markets.

"Cross-Listing and the Long-term Performance of ADRs: Revisiting European Evidence"
Franck Bancel - ESCP-EAP, France
Madhu Kalimipalli - Wilfrid Laurier University, Canada
Usha R. Mittoo - University of Manitoba, Canada

Discussant: Walid Busaba - University of Western Ontario, Canada

In this paper, we examine several cross- listing theories employing a sample of over 250 European ADRs representing 19 countries during the 1970-2002 period. We find that, firstly, though both Level II and III listings underperform over the three years subsequent to the US listing, the determinants of long-term performance are significantly different for the non-IPO and IPO firms. Secondly, there is a strong support for investor recognition in the non-IPO sample, for window-of-opportunity in the IPO sample, and for bonding in both samples, but little support for the market segmentation hypothesis. Overall, our results support the notion that different cross-listing theories are complementary and not mutually exclusive, in explaining the long-term performance.

"Long-Term Return Reversals - Empirical Evidence from the UK Market"
Yuliang Wu - Queen's University Belfast, UK
Youwei Li - Queen's University Belfast, UK

Discussant: Oliver Meng Rui - Chinese University of Hong Kong, China

This paper empirically tests whether widely documented long-term reversals in the literature can be explained either by investor rational behavior- tax reasons, or by investor irrational behavior-overreaction. We employ the approach developed by George and Hwang (2007) and perform an out-of-sample test, namely the UK stock market. We find that the tax-related measures have no predictive power over other non tax-related measures to explain return reversals. However, we find that the overreaction hypothesis is supported by the evidence of reversals in loser portfolios. Specifically, the strongest effect of loser reversals occurs in the second year after portfolio formulation if loser stock prices are near long-term lows. Overall, the empirical evidence in the UK market suggests that investor irrational behavior may drive stock return reversals in the long run and the hypothesis of investor rational behavior is less favorable.

LUNCHEON AND KEYNOTE SPEECH

12:15-2:15 p.m. **Megas Alexandros**

Professor Michael Brennan
UCLA and University of Manchester, UK

THE TROUBLE WITH RATINGS

Sponsored by
Department of Economics
University of Crete, Greece

SESSION 31 **Tuesday 2:15-4:00** **Salon Achilles**

TUTORIAL: PROBABILITY DISTRIBUTIONS IN FINANCE: ESTIMATION, VAR AND PRICING
Presenter: **Professor James B. McDonald - Brigham Young University, USA**

Research tutorial for doctoral students and other conference participants.

SESSION 32 **Tuesday 2:15-4:00** **Salon Poseidon**

SPILLOVERS II
Session Chair: Walid Busaba - University of Western Ontario, Canada

"Monetary Policy Announcements and Interest Rates Volatility: Evidence from the Mexican TIIE Futures Market"
Pedro Gurrola - Regent's College, UK
Renata Herrerias - Instituto Tecnologico Autonomo de Mexico, Mexico

Discussant: Hossein Asgharian - Lund University, Sweden

This study contributes to the debate about the effectiveness of monetary policy transmission mechanisms by exploring the link between the Mexican Central Bank's monetary policy announcements and interest rates futures volatility. The results show that announcements have a positive and significant impact on futures volatility and that this impact is mostly produced when a restrictive monetary policy stance is announced. Moreover, it shows that the change to an interest rate operational target has increased the non-anticipated component in monetary policy signaling.

"Local, Regional and World Market Shocks in Asian Equity Markets"
Hossein Asgharian - Lund University, Sweden
Marcus Nossman - Lund University, Sweden

Discussant: Ilkay Sendeniz-Yuncu - IESEG School of Management, France

The paper investigates the spillover effects from the US and the Japan stock markets to local stock markets in the Pacific Basin region and China. We apply a stochastic volatility model with jump that separates spillover effects of extreme shocks from normal shocks. Among other things, we find that the contribution of the US market shocks to the volatility of the local markets is in general larger than that of the Japan. The jump spillover is significant for almost all countries. Furthermore, we show that jumps usually trigger a subsequent period of high volatility and therefore identification of jumps can be used as an important indication for portfolio reallocation.

"Futures Market Development and Economic Growth"
Ilkay Sendeniz-Yuncu - IESEG School of Management, France
Levent Akdeniz - Bilkent University, Turkey
Kursat Aydogan - Bilkent University, Turkey

Discussant: Cal B. Muckley - University College Dublin, Ireland

This paper investigates the relationship between futures market development and economic growth using both dynamic panel and time-series methods in developed and emerging markets. The dynamic panel estimation results suggest that futures market development has a positive significant impact on economic growth. This finding is further supported by time-series analyses for individual countries in our data set. Time-series estimations indicate that this relationship is more robust for the countries with developing futures markets.

"Global Stock Market Interdependencies and Portfolio Diversification"
Cal B. Muckley - University College Dublin, Ireland
Brian M. Lucey - Trinity College, Ireland

Discussant: Renata Herrerias - Instituto Tecnologico Autonomo de Mexico, Mexico

Traditional measurements of co-movement appear to be uninformative with respect to the diversification possibilities of investors with longer term investment horizons. Specifically, despite correlation style evidence to the contrary, the European markets appear to provide a superior long-term diversification possibility relative to that provided by the Asian markets, from the viewpoint of a United States investor. This paper uses Johansen's cointegration test, a modified cointegration test that accounts for Generalized autoregressive conditional heteroscedasticity effects alongside recursive estimation of both tests to evaluate the relative extent of long-run stock market interdependencies across sets of Asian and European markets, extended to include the United States market. Robust correlation estimates, similarly calculated, are adopted to reveal the nature of short-run stock market interdependencies.

SESSION 33 **Tuesday 2:15-4:00** **Jason**

MICROSTRUCTURE II
Session Chair: Pullyur Sudi Sudarsanam - Cranfield University, UK

"Are Retail Investors the Culprits? Evidence from Australian Individual Stock Price Bubbles"
Julia Henker - University of New South Wales, Australia
Thomas Henker - University of New South Wales, Australia

Discussant: Petko S. Kalev - Monash University, Australia

We address the question of whether the trading of retail investors causes stock price anomalies. Our intent is to study settings in which retail investors are most likely to have influence on market prices. Previous research suggests that retail investors have more influence in small capitalization stocks and argues that retail investors are most likely to be irrational. Most theories of stock price anomalies hypothesize the presence of irrational traders. Consequently, we focus on stock price anomalies in primarily small capitalization stocks. Our data are from the Australian Stock Exchange Clearinghouse. The Australian stock market is characterized by a high level of direct stock holdings by individual investors, further enhancing the likelihood of retail investor influence. We investigate the Granger-causality between investor category trading and stock prices and display the relative trading volume of the investor categories. We conclude that retail investors are not responsible for stock misspricing. Since retail investors do not affect prices in this carefully selected environment, we infer that their trading is unlikely to influence stock market prices. Our conclusion has important implications for theories, particularly behavioral finance theories, that are dependent on the influence of retail investor trading in stock markets.

"Deafened by Noise: Do Noise Traders Affect Volatility and Returns?"
Edward Podolski–Boczar - Monash University, Australia
Petko S. Kalev - Monash University, Australia
Huu Nhan Duong - Monash University, Australia

Discussant: Fei Wu - Massey University, New Zealand

This paper considers the relation between noise traders' activities and daily price volatility. Building on Black's (1986) seminal work, we investigate whether noise traders introduce additional risk into stock prices by increasing volatility. In addition, we test whether noise traders increase returns. Our results show that the noise traders' behavior has a significant positive effect on the daily stock price volatility but not on the returns. Furthermore, it is found that small cap stocks with the strongest limits to arbitrage are affected by noise traders the most. Our paper has also normative implications for policy makers.

"Information, Execution Quality, and Order Routing on Nasdaq"
Ryan Garvey - Duquesne University, USA
Fei Wu - Massey University, New Zealand

Discussant: Julia Henker - University of New South Wales, Australia

Prior research indicates that both execution speed and cost are important to traders, but that these two dimensions of execution quality are negatively related across U.S. equity markets. In our paper, we examine how Nasdaq traders, who are (un)informed about future price changes, trade-off between speed and cost in their order routing decisions. We find that informed traders are more likely to choose trading systems that allow them to trade-off lower cost for faster speed whereas uninformed traders are more likely to choose trading systems that allow them to sacrifice speed for lower costs. Our results indicate that traders' have varying preferences for the different dimensions of execution quality based on their information levels and that these differences subsequently influence order routing decisions.

"Institutional Investors and Stock Market Efficiency: The Case of the January Anomaly"
Martin T. Bohl - Westfalische Wilhelms-University Munster, Germany
Katrin Gottschalk - Auckland University of Technology, New Zealand
Rozalia Pal - UniCredit Tiriac Bank, Romania

Discussant: Kanellos Toudas - University of Patras, Greece

In this paper, we investigate the effect of institutional investors on the January stock market anomaly. The Polish and Hungarian pension system reforms and the associated increase in investment activities of pension funds are used as a unique institutional characteristic to provide evidence on the impact of individual versus institutional investors on the January effect. We find robust empirical results that the increase in institutional ownership has reduced the magnitude of an anomalous January effect induced by individual investors' trading behavior.

SESSION 34 Tuesday 2:15-4:00 Odysseas

REGULATION & DISCLOSURE
Session Chair: Theodore Syriopoulos - University of the Aegean, Greece

"Market Reaction to Increased Transparency in Disclosure Rules for Financial Instruments: Evidence from an Order-Driven Market in a Pre-and Post IFRS World"
Paul Preda - The University of Sydney, Australia

Discussant: Peter Carayannopoulos - Wilfrid Laurier University, Canada

This thesis examines the role of increased public disclosure in reducing information asymmetry associated with derivatives. The proxy for information asymmetry, the bid-ask spread is examined around the issue of AASB1033 Presentation and Disclosure of Fin

"The 2003 Regulatory Reform in the Canadian Property/Casualty Insurance Industry and its Impact on Insurers' Surplus Levels"
Peter Carayannopoulos - Wilfrid Laurier University, Canada
Mary Kelly - Wilfrid Laurier University, Canada
Si Li - Wilfrid Laurier University, Canada

Discussant: Philip Valta - University of Lausanne, Switzerland

The paper explores the impact of the regulatory changes in the Canadian property/casualty (P/C) insurance industry in 2003 on the level and determination of insurers' surplus holdings. The purpose of regulatory surplus requirements in the P/C insurance industry is to limit the risks stemming from unexpected losses, decrease the likelihood of insolvency, and thus ensure an insurer's soundness as an ongoing concern. Supervision of financial institutions in general and insurance companies in particular has been going through drastic changes during the last decade both world-wide and in Canada. Only recently (in 2003), Canada's federal prudential regulator, the Office of the Superintendent of Financial Institutions (OSFI), modified its capital adequacy test for P/C insurers in an effort to better align regulatory surplus with risks arising from a firm's underwriting and investment activities. Using a large panel dataset that includes 314 licensed P/C insurers in Canada and data that covers the period from 1991 to 2007, the paper investigates whether or not the regulatory changes have affected insurers' surplus levels. More importantly, it investigates whether these changes have resulted in a better alignment between surplus and a firm's underwriting and investment risks. There has been very little research in the area of regulatory surplus in the Canadian P/C insurance market. Thus, this paper contributes to the literature by providing the first systematic empirical test of the impact of the recent regulatory changes on Canadian insurers' surplus holdings. Our findings further the understandings of regulators, insurers, and academics about the Canadian solvency regulations and their impact on the P/C insurance industry.

"Is Shareholders Strategic Default Behavior Priced? Evidence from the International Cross-Section of Stocks"

Giovanni Favara - University of Lausanne, Switzerland
Enrique Schroth - University of Amsterdam, The Netherlands
Philip Valta - University of Lausanne, Switzerland

Discussant: Vladimir Ivanov - University of Kansas, USA

We test whether stock returns reflect equity holders' incentives to strategically default on the firm's debt. We use an international cross-section of stocks to exploit the exogenous variation in recent survey data that characterizes insolvency procedures across countries. We find that stock returns increase with the degree of creditor protection. Consistent with models of strategic default, stock returns decrease with the costs of liquidation and equity holders' bargaining power, but the sensitivity of this relation weakens with the country's degree of creditor protection. These results are statistically significant, economically important, and robust to various specifications and estimation techniques.

"The Effect of Litigation on Venture Capitalist Reputation"

Vladimir Atanasov - Mason School of Business, USA
Vladimir Ivanov - University of Kansas, USA
Kate Litvak - The University of Texas, USA

Discussant: Paul Preda - The University of Sydney, Australia

A large literature examines how contractual terms protect VCs against misbehavior by entrepreneurs. But what constrains misbehavior by VCs? We provide the first systematic analysis of how alleged VC misconduct affects VC reputation using a hand-collected sample of 296 lawsuits involving 221 venture capitalists during the period 1975-2007. We first estimate an empirical model of the propensity of VCs to get involved in litigation. We find that older VCs and VCs with more deal flow and larger funds under management are more likely to litigate; however, the effect is concave. In addition, early-stage VCs and VCs with past litigation history are more likely to participate in litigation. We then analyze the relationship between litigation and VC fund-raising, deal flow and network centrality. We find that litigation does not go unnoticed: in subsequent years, VCs involved in litigation as defendants raise significantly less capital than their peers (matched on age, size and performance), invest in fewer and lower quality deals, and syndicate with fewer VC firms. The biggest losers are VCs who participate as defendants in multiple lawsuits.

SESSION 35 **Tuesday 2:15-4:00** **Megas Alexandros**

DIVIDENDS II

Session Chair: Timotheos Angelidis - University of Peloponnese, Greece

"The Agency Theory of Dividends: Evidence from Dividend Initiations"

Jesus M. Salas - Lehigh University, USA

Discussant: Robert Joliet - IESEG School of Management, France

Explaining the observed average positive stock price reaction to dividend initiations has proven to be difficult. Signaling theory evidence is mixed and agency theory evidence is scarce. This paper uses the stock price reaction to dividend initiations to test the agency theory of dividends. Results suggest that the stock price reaction is positively related to expected agency costs, as proxied by cash holdings, information uncertainty, and entrenchment. In addition, the stock price reaction is not significantly different from zero for firms with low cash holdings and for firms with low information uncertainty. There is no evidence that the stock price reaction to initiations is even more positive for firms with high

cash holdings and low growth opportunities than for firms with low cash holdings and high growth opportunities. Assuming that the agency theory of dividends is true implies that managers waste 13.8 cents out of every dollar they choose to not pay in dividends. I conclude that the agency theory of dividends does a fair job in explaining the positive stock price reaction to dividend initiations.

"Dividends and Foreign Performance Signaling"
Robert Joliet - IESEG School of Management, France
Aline Muller - University of Liege, Belgium

Discussant: Alberto Manconi - INSEAD, France

This study uses Hines' (1996) dividend process model to test the effect of domestic versus foreign profitability shocks on firms' dividend payout policy. Investigating an international sample of 283 companies from Europe, Australia, New Zealand, the U.S.A. and Canada, we find that increases in some foreign market earnings stimulate higher cash distributions than similar increases in domestic earnings. The dis-aggregation of foreign performance across country-specific markets reveals that managers are predominantly using dividends to signal foreign profit movements that have been generated in emerging markets and Asian Pacific developed markets – while they do not feel compelled to send signals related to positive earnings news originating from the other mature developed markets (North America and Western Europe). Our findings also confirm empirically the popular view that due to their higher variance and lower persistence, positive foreign profitability shocks coming from emerging markets are more difficult to integrate into stable dividend policies.

"Mixing Wheat with the Chaff: Dividend Signaling, Pecking Order, and Style Investing"
Alberto Manconi - INSEAD, France

Discussant: Jesus M. Salas - Lehigh University, USA

I argue that price pressure resulting from style investing by institutional investors breaks down the traditional dividend signaling and pecking order equilibria. I show empirically that investment flows into their own investment style, as well as flows out of their opposite style, make firms less likely to announce a dividend increase or a share repurchase. Price pressure arising from style investing makes the financial deficit track debt issues less closely, and equity issues more closely; moreover, it reduces firms' market and book leverage. Equity issues driven by style price pressure increase investment, and result in higher future profitability.

Refreshments **4:00-4:15 p.m.**

SESSION 36 **Tuesday 4:15-6:00** **Salon Achilles**

TAKEOVERS
Session Chair: James B. McDonald - Brigham Young University, USA

"Determinants of Takeover Premium in Share-exchange Takeover Offers: An Exchange Option Pricing Approach"
Pullyur Sudi Sudarsanam - Cranfield University, UK
Ghulam Sorwar - Nottingham University, UK

Discussant: Peter Mayall - Curtin University of Technology, Australia

In share exchange takeovers, the bidding company offers the target company shareholders an implicit exchange option, such that during the offer period, the target shareholders hold a portfolio comprising share plus an exchange option. The objective of this study is to determine the magnitude of this exchange option premium relative to the offer price and the factors influencing the magnitude of the option premium. We model the observed target stock price as a portfolio of unobserved stock price and an exchange option which is driven by target and deal characteristics. For a sample of over 200 UK share exchange takeover bids during 1990-2004, we estimate exchange option value using Margrabe's (1978) model. We find that the exchange option premium accounts for a substantial part of the takeover premium and is particularly high during hostile takeovers. We also find that the exchange option is highly correlated with the relative riskiness of the bidder and the target and that the movements in beta of both target and acquirer are partially consistent with the real options-based approach of Hackbarth and Morellac (2008). This study contributes to a better understanding of the true determinants of takeover premium and demonstrates the usefulness of option pricing models and provides a preliminary test of real options models in understanding and measuring the impact of UK takeovers on firm risk and shareholder gains.

"The Aftermath of Takeovers: Do Acquiring Companies gain from Takeovers? An Examination of the Long-Run Performance of Acquirers"

Peter Mayall - Curtin University of Technology, Australia
Sally Wihardjo - Curtin University of Technology, Australia

Discussant: Zafeira Kastrinaki - Warwick Business School, UK

Many studies, such as Dodd and Ruback (1977) have concentrated on the benefits of takeovers to target companies. The success or otherwise of takeovers is, in reality, reflected in the share price of the acquiring company. The benefits of the union might take time to manifest themselves. This study looks at the long-run benefits of acquirers where the activity has happened in the recent years 2000 to 2007. It also looks at the different sectors that these companies are in. The return on these sector indices are used as a benchmark to track whether there has been an under or over performance by the acquirers, as measured by their cumulative average returns (CAR’s). The results confirm that there are some sectors that outperform others and that on the whole acquisitions do not pay off for the acquirers shareholders in the short term but do have a positive outcome after 1 year, which for the purposes of this study, can be considered as long term. Another aspect that is examined in this study is the benefits or otherwise of confining the acquirers takeover activities to companies in the same industry, the so called horizontal takeovers. Do companies benefit from their in-house knowledge of the target companies industry and do they translate this into value for their shareholders? The results show that those that do not stay in their sector when acquiring target companies, perform poorly over the long term.

"An Accelerated Failure Time Approach To Modeling Dynamics Within A Merger Wave"

Zafeira Kastrinaki - University of Warwick, UK
Paul Stoneman - University of Warwick, UK

Discussant: Moqi Xu - INSEAD, France

This paper constructs a model of merger waves by simultaneously incorporating firms’ valuation dispersion, macro economic conditions, and industry concentration. The model is estimated using hazard rate models upon a uniquely constructed UK panel data set covering merger activity in twelve major industrial sectors over the period from 1990 to 2006. Managerial motivations for merger are tested by introducing frailties into the empirical model. The findings suggest that merger waves have endogenous dynamics (mergers cause future mergers). This wave like behavior is further shaped by valuation dispersion of firms, changes in industry concentration and expectations on future economic conditions.

"Acquisition Finance, Capital Structure and Market Timing"

Theo Vermaelen - INSEAD, France
Moqi Xu - INSEAD, France

Discussant: Pullyur Sudi Sudarsanam - Cranfield University, UK

This paper examines the effects of capital structure management and mis-valuation on the choice of payment method in mergers and acquisitions. In our sample of 3,261 transactions, we find evidence both for leverage optimization (based on economic fundamentals) and mis-valuation as drivers for the decision to pay with cash or stock. We also find evidence that it is difficult to pay with overvalued stock unless it can also be motivated by economic fundamentals. Few bidders – only 1% of our sample - try to do so and many only succeed after going hostile. Paying with cash against the predictions of the trade-off hypothesis is more common. These firms are reluctant to pay with undervalued stock and experience positive long-term excess returns after the acquisition.

MANIPULATION
Session Chair: Aline C. Muller - HEC Management School, Belgium

"Identification of Stock Market Manipulation: A Case Study"
John Simpson - University of Wollongong, U.A.E.
Lakshman Alles - Curtin University, Australia
John Evans - Curtin University, Australia
Jennifer Westaway - Curtin University, Australia

Discussant: Anna Zalewska - University of Bath, UK

This paper is based on an actual expert witness report undertaken by university business academics for a corporate regulatory authority in a developed country. The paper describes the methodology used to identify cases of stock market manipulation by insiders of a no liability mining company. An actual data set has been analyzed but the company and the country remain anonymous. It should be added that the real parties originally under suspicion were in fact charged with stock market manipulation based on the actual expert witness report outlined in this paper.

"Do Investigated Companies Manipulate Profitability Data?"
Ludivine Garside - University of Bristol, UK
Paul Grout - University of Bristol, UK
Anna Zalewska - University of Bath, UK

Discussant: Zaher Z. Zantout - American University of Sharjah, United Arab Emirates

In this paper we consider whether companies manipulate their profitability data in response to regulatory investigations. In particular, we investigate whether companies' reported profitability during an investigation of "abuse of a monopoly position" tends to be lower than pre-investigation profitability. First, in a theoretical model, we show that in equilibrium companies manipulate profitability data once an investigation starts. We then test this proposition on evidence from UK competition cases and find that there are significant differences in reported profitability during an investigation when compared to pre-investigation profit levels.

"Financing Corporate R&D Programs Using a Special Purpose Off-Balance Sheet Entity?"
Samuel H. Szewczyk - Drexel University, USA
Alexandra K. Theodossiou - Rutgers University, USA
Zaher Z. Zantout - American University of Sharjah, United Arab Emirates

Discussant: Manuel J. Rocha Armada - University of Minho, Portugal

Special purpose off-balance-sheet entities developed a bad reputation because of several infamous abuses. This clinical paper examines the SWORD structure, a special purpose entity that some firms used to finance some of their R&D programs. The SWORD structure is similar to issuing a zero-coupon bond with an extendible maturity and the option to default on the debt, with the pool of all the R&D programs of the issuing firm as collateral. Firms that use this structure suffered severe stock price declines at prior public stock issues. In contrast, they experience either neutral or significant positive abnormal returns at disclosures of SWORD formations, despite raising larger amounts than in prior public stock issues. They incur flotation costs that are similar to those they incurred in previous public stock issues, and the ex post cost of capital seems commensurate for the pertinent high risk. Moreover, they have a significantly higher post-SWORD-formation survivability rate than their industry peers. The window-dressing earnings' effects of SWORD formations do not appear to bias investors' valuation of the sample R&D firms. The SWORD structure is evidently an efficient special purpose entity that increases the expected net present value of the R&D projects being financed, preserves the value of the firm's other specific and tacit R&D capital, and constitutes a more efficient R&D financing method than debt or equity, considering the information asymmetry, agency costs and high specificity that characterize R&D. The bad reputation that special purpose off-balance sheet entities developed apparently made many technology-based firms stop using the SWORD structure, regrettably.

"Corruption and Co-Movements in European Football Clubs: Did CalcioCaos Really Matter?"
Joaquim Ferreira - University of Minho, Portugal
Joao Leitao - IST - Technical University of Lisbon, Portugal
Manuel J. Rocha Armada - University of Minho, Portugal

Discussant: Jennifer Westaway - Curtin University, Australia

Until the beginning of the 80´s, financial crises were seen as events which happened in individual markets, without a systemic nature. For this reason, at that time, the possibility of transmission of shocks between countries, or international stock markets, deserved little attention. During the 90's there have been changes, due to the occurrence of exogenous shocks, mainly originated from unpredictable terrorist attacks or corruption episodes. One of the most impressive characteristic of these crises was that related to the moment of their occurrence and of their intensity, which did not seem to be related to the performance of stock markets. Furthermore, the negative effects associated with the instability caused by certain episodes, were not limited to the stocks where the exogenous shocks took place, being quickly transmitted over the most representative international stock markets (contagion effects). It is important to study the transmission of shocks among international stock markets for different reasons. For example, contagion may have deep implications for portfolio management, particularly in the processes of international diversification of risk. Also, there is a tendency for the integration of stock markets on a worldwide basis. According to the literature on contagion, the limited focus of previous studies, at the aggregate level, that embrace the co-movements of international financial markets, should be underlined, since they are strongly concentrated on analyzing the behavior of stock markets of emerging economies. In the short term, daily data allows the detection of contagion effects that could be not detected in analysis that use less frequent data, we did use daily data in this paper. This allowed us to present a different analysis in relation to the generality of contagion studies which did use monthly or weekly data. This paper is particularly related to the study of the effects of a corruption episode, named Calciocaos, on the performance of the stocks of European Football Clubs. It also contributes to the literature, about contagion, at two distinct levels. Firstly, it is a pioneer attempt to measure the effects of a corruption episode on the performance of the, so far, neglected stocks of European Football Clubs. Secondly, we attempt to explain the changes on stock prices of some clubs, which belong to the DJ STOXX Football Index, by performing a comparative analysis between two different time periods: before and after the CalcioCaos. A Cointegrated Vector Autoregressive (CVAR) approach is applied, in order to detect the cointegrating vectors and to forecast the behavior of the endogenous variables. A dynamic analysis is also performed, by using the block exogeneity tests to check the existence of causality relations, under a Grangerian sense. For forecasting the degree of impact, and correspondent signal, of the causality relationship, the coefficients of the Cholesky's variance decomposition, and of the impulse response functions, are also computed. Before the CalcioCaos, the results reveal the importance of two stocks, of leading European Football Clubs for the explanation of the pricing of other stocks that integrate the above mentioned benchmark. After the CalcioCaos, the stock prices of one of them, lost explanatory power, whereas other previously less influential stocks played an important role in explaining the pricing of European Football Clubs, under a cointegrated approach. The paper is structured as follows. In the second section, a literature review of existing studies about episodes of financial crisis and contagion effects is made. In the third section, the methodology and the data used in the study are presented. In the fourth section, the empirical findings are presented, and the main results are discussed using a comparative approach. Lastly, the main conclusions and future research directions are presented.

SESSION 38 **Tuesday 4:15-6:00** **Jason**

INVESTMENTS II
Session Chair: John F. Manley - Iona College, USA

"Portfolio Optimization Using Greedy Algorithm"
Ahmed Elshahat - Bradley University, USA
Ali Parihizgari - Florida International University, USA
Giri Narasimhan - Florida International University, USA
Shadab Anwar - University of Florida, USA

Discussant: Andreas Andrikopoulos - University of the Aegean, Greece

Prior research has established that idiosyncratic volatility of the securities prices exhibits a positive trend. This trend and other factors have made the merits of investment diversification and portfolio construction more compelling. A new technique, a greedy algorithm, is proposed to optimize the weights of assets in a portfolio, the technique utilizes a novel approach in the construction of a time-varying covariance matrix. This involves the application of a modified integrated dynamic conditional correlation GARCH (IDCC - GARCH) model to account for the dynamics of the conditional covariance matrices that are employed. The stochastic aspects of the expected return of the securities are integrated into the technique through Monte Carlo simulations. Instead of representing the expected returns as deterministic values, they are assigned simulated values based on their historical measures. The time-series of the securities are fitted into a probability distribution that matches the time-series characteristics using the Anderson-Darling goodness-of-fit criterion. Simulated and actual data sets are used to further generalize the results. Employing the S&P500 securities as the base, 2000 simulated data sets are created using Monte Carlo simulation. In addition, the Russell 1000 securities are used to generate 50 sample data sets. The results indicate an improvement in risk-return performance. Choosing the Value-at-Risk (VaR) as the criterion and the Crystal Ball portfolio optimizer, a commercial product currently available on the market, as the comparison for benchmarking, the new greedy technique clearly outperforms others using a sample of the S&P500 and the Russell 1000 securities. The resulting improvements in performance are consistent among five securities selection methods (maximum, minimum, random, absolute minimum, and absolute maximum) and three covariance structures (unconditional, orthogonal GARCH, and integrated dynamic conditional GARCH).

"Idiosyncratic risk, Returns and Liquidity in the London Stock Exchange: A Spillover Approach"
Andreas Andrikopoulos - University of the Aegean, Greece
Timotheos Angelidis - University of Peloponnese, Greece

Discussant: Chensheng Lu - Credaris, UK

In the light of recent evidence that liquidity and idiosyncratic risk may be priced factors in the cross section of expected stock returns and that market capitalization significantly affects investor behavior and liquidity, we explore the interactions between liquidity, idiosyncratic risk and return across time as well as across size-based portfolios of stocks listed in the London Stock Exchange. We find that volatility spills over from large to small cap stocks and vice versa and is predicted by illiquidity shocks in both small and large cap portfolios. Illiquidity is forecasted by return shocks in small cap stocks. Finally, we document some evidence of asymmetric liquidity spillovers, supporting the intuition that market-wide information is first incorporated in the trading behavior of large cap investors and is then transmitted in the trading of small stocks.

"Is Share Price Relevant?"
Soosung Hwang - GSA Capital, UK
Chensheng Lu - Credaris, UK

Discussant: Konstantinos Kiriakopoulos - Proton Bank, Greece

This study examines the cross-sectional effect of the nominal share price. We endeavor to understand two interesting puzzles associated with share price. First, the nominal share prices of the US stocks have remained remarkably constant since the Great Depression despite inflation. Second, there is no consensus about the motivations for firms to split their stocks, since financial theory suggests share price is independent of its value. The findings indicate that share price per se matters in cross-sectional asset pricing: stock return is inversely related to its nominal price. It is shown that a strategy of buying these penny stocks can generate a significant alpha even after considering the transaction costs. The abnormal returns of these penny stocks are robust in the presence of other firm characteristics such as size, book-to-market equity, earning/price ratio, liquidity and past returns; and are also not explained by the existing factors. These results also cast some light on the stock-split phenomenon. Intuitively, if firm managers know that low price would generate higher future returns, they are more likely to split their stocks on behalf of shareholders.

"A Note on Temporal Aggregation Effects on the Mean Variance Portfolio Optimization Approach. Some Empirical Results"
George Kaimakamis - Hellenic Army Academy, Greece

Konstantinos Kiriakopoulos - Proton Bank, Greece

Discussant: Ahmed Elshahat - Bradley University, USA

In this short note we test the effects of temporal aggregation (desegregation) on the optimal of portfolio construction using the mean variance optimization approach. Using data from the Athens Stocks Exchange we confirm that the use of temporally aggregated data affects seriously the optimal of portfolio construction. Especially as the degree of temporal aggregation increases the application of the Mean Variance portfolio optimization technique, could lead to different results regarding the participation of the stocks in the portfolio, the portfolio's weights, the average and total portfolio performance and finally the associated portfolio's risk.

SESSION 39 **Tuesday 4:15-6:00** **Odysseas**

COMMODITIES
Session Chair: David Michayluk - University of Technology, Australia

"Oil prices and the Wall Street Journal"
Bruce Grundy - University of Melbourne, Australia
Richard Heaney - RMIT University, Australia

Discussant: John Simpson - Curtin University of Technology, Australia

The Wall Street Journal publishes various articles explaining past market conditions and predicting future changes in production and price yet there has been little attempt to analyze the information efficiency of the crude oil market. Using an event study, we analyze the impact of predicted change in crude oil production and crude oil price, as well as predicted changes in OPEC membership, on crude oil spot and futures prices. The analysis is also extended to oil industry share price reaction to these predictions. It is found that Wall Street Journal article predictions have a statistically significant impact on crude oil spot price, crude oil futures price and oil industry share price, though statistical significance of price reaction varies with the type of Wall Street Journal article based prediction.

"Spot Natural Gas Prices: An Expanded Party to Party Bargaining Framework"
John Simpson - Curtin University of Technology, Australia

Discussant: Christophe Spaenjers - Tilburg University, The Netherlands

Whilst some regional energy markets appear to be integrating, the pricing of natural gas exports in an imperfect global spot market remains a difficult task. For the sake of analysis, this paper expands a global party to party spot gas price bargaining model to capture both un-lagged and optimally lagged daily prices of the major competing fuels and daily changes in values of a global economic indicator in the world stock market price index. Vector autoregressive based tests provide evidence of cointegration in the price variables and therefore, evidence of rational expectations. Exogeneity tests show that gas price changes are primarily driven by oil price changes. Within this framework, it is found that the oil price change is driven significantly by changes in the global stock price index and the coal price index values. The model put forward is purely for preliminary analysis, as all markets need to become more integrated and efficient and mechanisms to arbitrage the various energy markets would need to be established before a final global gas spot price index is possible.

"Wishful Thinking: On prices and Returns in the Art Market"
Luc Renneboog - Tilburg University, The Netherlands
Christophe Spaenjers - Tilburg University, The Netherlands

Discussant: Isabel Figuerola-Ferretti - Universidad Carlos III de Madrid, Spain

This paper investigates the evolution of prices and returns in the art market since the middle of the previous century. We first compile a comprehensive list of more than 10,000 artists and then build a dataset that contains information on more than 1.1 million auction sales of paintings, prints and works on paper. We undertake an extensive hedonic regression analysis that includes a number of unique price-determining variables capturing, among other things, the artist's reputation, the strength of the attribution to an artist and the subject matter of the work. Based on the resulting price index, we conclude that art has appreciated in value by a moderate 4.03% per year, in real US dollar terms, between 1951 and 2007. During the boom period 2002-2007, however, prices increased by 11.60% annually, which probably helps in explaining the hype about 'art as an investment' in recent years. Additionally, our results show that, over the last quarter century, prices of oil paintings and of post-war art have risen somewhat faster than the overall market. In contrast to most previous studies, we find evidence of a positive masterpiece effect: high-quality art makes a better investment. Our findings are robust to alternative specifications, and do not seem influenced by sample selection and survivorship biases. After comparing the returns on art to those on financial assets, we conclude that buyers of art should expect to reap non-pecuniary benefits rather than high financial returns, especially if one takes into account the high transaction and opportunity costs that go with investing in art.

"Modeling and Measuring Price Discovery in the NYMEX and IPE Crude Oil Markets"
Isabel Figuerola-Ferretti - Universidad Carlos III de Madrid, Spain
Jesus Gonzalo - Universidad Carlos III de Madrid, Spain

Discussant: Richard Heaney - RMIT University, Australia

The current surge of soaring crude oil prices has renewed interest on the information content of competing markets. In this paper we adopt the methodology developed by Figuerola and Gonzalo (2007) to model and measure price discovery on the NYMEX and IPE crude oil markets. We present an equilibrium model with finite elasticity of arbitrage services mainly arising due to transport cost and grade differences in the underlying asset. This leads on to price discovery measures that are solely determined by the relative liquidity in the two closely related markets. Applied to three month delivery prices, our empirical estimates demonstrate that NYMEX and IPE prices are cointegrated with a unit cointegrating vector, implying that there is a long run arbitrage equilibrium relation underlying both markets. Estimation of the price discovery measures indicates that there is a preponderant adjustment of the IPE towards NYMEX. This is consistent with figures for volumes traded and rationalizes the standard interpretation of NYMEX as the leading crude oil market.

SESSION 40 **Tuesday 4:15-6:00** **Megas Alexandros**

TOPICS IN DERIVATIVES
Session Chair: Denitsa Stefanova - VU University Amsterdam, The Netherlands

"A New Method of Employing the Principle of Maximum Entropy to Retrieve the Risk Neutral Density"
Leonidas S. Rompolis - University of Cyprus, Cyprus

Discussant: Ilias D. Visvikis - ALBA Graduate Business School, Greece

This paper suggests a new method of implementing the principle of maximum entropy to retrieve the risk neutral density of future stock, or any other asset, returns from European call and put prices. Instead of options prices used by previous studies the method maximizes the entropy measure subject to values of the risk neutral moments. These moments can be retrieved from market option prices in a first step, at each point of time. Compared to other existing methods of retrieving the risk neutral density based on the principle of maximum entropy, the benefits of the method that the paper suggests is the use of all the available information provided by the market more sufficiently. To evaluate the performance of the suggested method, the paper compares the new method proposed to other risk neutral density estimation techniques based on a number of simulation and empirical exercises.

"The Hedging Effectiveness of Non-Storable 'Commodity' Derivatives"
Manolis G. Kavussanos - Athens University of Economics and Business, Greece
Ilias D. Visvikis - ALBA Graduate Business School, Greece

Discussant: Ephraim Clark - Middlesex University, UK

In this paper, the hedging effectiveness of Over-The-Counter (OTC) Freight Forward Agreements (FFAs) of the ocean shipping industry is examined. FFAs have the non-storable freight service as the underlying commodity, which moreover have a number of other interesting characteristics that make them distinct from conventional financial assets. For instance, there is no explicit storage relationship linking spot and forward (FFA) prices. This makes the examination of the hedging effectiveness of these derivatives contracts interesting. Preliminary results from in-sample tests indicate that time varying hedge ratios outperform alternative specifications in reducing market risk, while results from out-of-sample tests indicate that the naove hedge ratio is preferred. Overall, the results reveal that ship owning companies with dry-bulk vessels operating worldwide and trading companies that transport commodities to different parts of the world can efficiently use the FFA contracts to reduce their freight rate risk, since the variability of their cash-flows can be explained by the fluctuations of the FFA prices. Market agents can benefit from these hedging effectiveness results by developing appropriate hedge ratios in each case, and thus, controlling their freight rate risk more efficiently.

"Asymmetric Foreign Currency Exposures and Derivatives Use: Evidence from France"
Ephraim Clark - Middlesex University, UK
Salma Mefteh - ESSCA Business School, France

Discussant: Sotiris K. Staikouras - Cass Business School, UK

This paper provides evidence on the asymmetric sensitivity of stock returns of French firms to exchange rate risk and the effect of FC derivative use in alleviating this risk. The results show that exposure is frequently asymmetric and asymmetric exposure is sensitive to different currency exposures. Cross sectional analysis provides evidence that FC derivatives use has a significant negative effect on FC exposure levels. This effect is sensitive to the hedging strategy and it varies with respect to different currencies.

"The Conditional Volatility of Volatility Derivatives"
Paul Dawson - Kent State University, USA
Sotiris K. Staikouras - Cass Business School, UK

Discussant: Leonidas S. Rompolis - University of Cyprus, Cyprus

This study investigates whether the newly cultivated platform of volatility derivatives has altered the volatility of the underlying S&P500 index. The findings suggest that the onset of the CBOE volatility futures trading has lowered the equity cash market volatility, and significantly reduced the impact of shocks to volatility. When big sudden events hit financial markets, however, volatility seems to elevate in the US equity market as a result of increased global correlations. Regardless of the period under examination and the estimator employed, long-run volatility persistence is present. The latter drops significantly when the credit crunch period is excluded from the post-futures sample period. The correlation between the broad equity index and return volatility remains low, which in turn strengthens the role of volatility derivatives to facilitate portfolio diversification. The analysis also shows that volatility is mean reverting, while market data support the impact of information asymmetries on conditional volatility. In the post-futures phase, no asymmetries are found when the recent crisis is not accounted for. Finally, comparisons with other international equity indices, with no volatility derivatives listed, unveil that these indices exhibit higher volatility and slower recovery from shocks than the S&P500 index.

KEYNOTE SPEECH

8:00-8:40 p.m. **Salon Achilles**

Professor Haim Levy
Hebrew University of Jerusalem, Israel

THE CAPM: ALIVE AND WELL? A REVIEW AND SYNTHESIS

GREEK NIGHT DINNER

9:00-12:00 p.m. **Pool Area**

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SESSION 41 **Wednesday 8:30-10:15** **Salon Achilles**

MUTUAL FUNDS I
Session Chair: Peter Spencer - University of York, UK

"The Impact of UK Manager Changes on Fund Performance and Fund Flows"
Andrew Clare - Cass Business School, UK
Svetlana Sapuric - Cass Business School, UK
Natasa Todorovic - Cass Business School, UK

Discussant: Andrew Adams - University of Edinburgh, UK

Using our unique database of UK fund manager changes and event study methodology, we examine the impact of such changes on fund performance and fund flows to establish whether this impact varies depending upon whether the fund manager is male or female; whether the fund is a developed or emerging market; and depending upon the fund's style, that is, growth, value or small capitalization. Our results show clearly across different categories of funds that a change in fund manager can have a significant impact on fund performance, at least in the first year following the event. Additionally, we find greater persistence in performance of the bottom performing funds compared with the top performing funds. Finally, our evidence proves that managers' gender, the market or the type of asset they invest in do not influence the level of fund flows, however the change of the fund manager and the past performance do.

"Mutual Fund Industry Competition and Concentration: International Evidence"
Miguel A. Ferreira - Universidade Nova de Lisboa, Portugal
Sofia B. Ramos - ISCTE Business School, Portugal

Discussant: Natasa Todorovic - Cass Business School, UK

This paper examines mutual fund industry competition and concentration in 27 countries using a sample of almost 50,000 mutual funds. The mutual fund industry is concentrated worldwide and some industries present large fund complexes. Our results indicate that countries with common law and higher stock market turnover are associated with low level industry concentration. There is more industry contestability in countries with better quality of institutions and where regulation is more open. Bank concentration and simultaneous restrictions to engage new activities in the financial industry tends to decrease firm entry in the mutual fund industry. The launch of new funds is positively related with openness of regulation and negatively related with industry age. Fees tend to be higher in countries with low stock market turnover, where industry size is smaller and foreign mutual fund companies have a larger market share. Also, fund proliferation seems to be an important aspect of competition as it is negatively related with mutual fees. Overall, the results do not indicate a clear relation between competition and concentration, similar to the findings for the banking industry. Nevertheless, our evidence validates the contention the degree of competition is important for the variety of products, as we find more fund offer in more competitive industries.

"Disclosure and Search Costs: The Case of Retail S&P 500 Index Funds"
Jeffrey L. Callen - University of Toronto, Canada
Xinghua Liang - McMaster University, Canada

Discussant: Sofia B. Ramos - ISCTE Business School, Portugal

This study investigates three voluntary disclosure decisions by retail S&P 500 Index Funds including (I) the frequency of portfolio holdings and (ii) the timeliness of portfolio holdings and (iii) fund investment strategies. Our results show that mutual funds disclose their portfolio holdings more frequently and on a more timely basis, and disclose more investment strategy information, the greater are investor search costs. This finding emphasizes the unique role of search costs as a determinant of voluntary disclosure, which has not been previously documented in the empirical disclosure literature. We also find that voluntary disclosures do not increase fund inflows suggesting that the information content of portfolio and index tracking strategy disclosures are not fully internalized by retail fund investors.

"What Skills do Star Fund Managers Possess?"
Li-Wen Chen - University of Edinburgh, UK
Andrew Adams - University of Edinburgh, UK
Richard Taffler - University of Edinburgh, UK

Discussant: Jeffrey L. Callen - University of Toronto, Canada

Kosowski, Timmermann, Wermers, and White (2006) find that certain growth-oriented fund managers have substantial skill but do not stipulate the particular skills that they possess. We use novel factor timing models to examine in detail the timing skills of 3,181 US equity mutual funds classified as having a growth investment objective by Standard & Poor's, over the period from 1993 to 2006. To control for idiosyncratic variation in mutual fund returns, the bootstrap method of Kosowski et al. is used to analyze the significance of alpha and timing beta estimates. To exclude the possibility that the observed timing ability is due to good luck, synthetic funds are examined as in Busse (1999). Our results indicate that growth-oriented fund managers who earn abnormal returns demonstrate substantial growth timing skill, i.e. successful timing activity across the value/growth continuum. This observed growth timing ability accounts for at least 45% of abnormal returns and is persistent; the top 10% of funds which demonstrate growth timing ability in the past three years also demonstrate the best growth timing ability in the following year. Successful growth timing is confined to those managers who invest primarily in growth stocks. However, there is little evidence of successful market timing (i.e. forecasting future market states and weighting equity exposure accordingly), size timing (i.e. adjusting exposure between small and large capitalization stocks) or momentum timing (i.e. switching between momentum investing and contrarian investing strategies). The models employed clearly distinguish between growth timing and market timing skills, thereby avoiding a common misidentification problem.

SESSION 42 Wednesday 8:30-10:15 Salon Poseidon

INTEREST RATES
Session Chair: Taufiq Choudhry - University of Southampton, UK

"UK Macroeconomic Volatility and the Term Structure of Interest Rates."
Peter Spencer - University of York, UK

Discussant: Marta Tolentino - Universidad de Castilla-La Mancha, Spain

This paper develops a general affine specification that allows both macroeconomic and latent variables to influence the term structure of interest rates. This specification follows the mainstream US term structure literature in allowing for stochastic volatility in modeling the term structure. It handles the difficult problems that the stochastic trend found in UK inflation and interest rate data pose for yield curve research by allowing this trend to influence the volatility as well as the central tendency in the macroeconomic variables. The empirical model throws light on the latent variables used by mainstream term structure modelers, keying these in to the behavior of the macroeconomy. In particular, it suggests that the stochastic volatility term is related to the underlying rate of inflation, consistent with the hypothesis of Okun (1971), Friedman (1977) and others. This finding helps to explain the fall in UK output; interest rate and inflation volatility seen in recent years, attributing it to the fall in the inflation trend associated with the recessions of the early 1980s & 1990s and the new monetary arrangements introduced in May 1997.

"Interest Linkages between the US, UK and German Interest Rates: Should the UK join the European Monetary Union?"
William D. Bryant - Macquarie University, Australia
Roselyne Joyeux - Macquarie University, Australia

Discussant: Francisco Jareno - Universidad de Castilla-La Mancha, Spain

In light of continuing mixed results in the literature, this paper re-examines the German Dominance Hypothesis (GDH) and considers whether the UK should join the Euro-zone . For this purpose short term interest rates relationships between the UK, Germany, the Euro-zone and the USA for the period January 1982 to June 2007 are studied. The policy implication of a loss of monetary autonomy for the UK in favor of Germany or the European Central Bank (ECB) would give support to the UK joining the EMU as an economic response. From the early 1980's the Bundesbank's responsibility was to use money growth targets to keep the average inflation rate down in the long run. This long run objective suggests that an appropriate methodology for testing the GDH is to test whether the German stochastic trend is a driving stochastic trend. In other words we determine whether a permanent shock to the German interest rate has a permanent effect on the UK interest rate. To this end the structural shocks in a VECM are identified by imposing long-run restrictions of the type developed in King, Plosser, Stock & Watson (1991). We apply the same techniques to testing whether the UK has suffered a loss of monetary autonomy in favor of the ECB.

"Term Structure of Volatilities and Method for Estimating the Term Structure of Interest Rates"
Antonio Diaz - Universidad de Castilla-La Mancha, Spain
Francisco Jareno - Universidad de Castilla-La Mancha, Spain
Eliseo Navarro - Universidad de Castilla-La Mancha, Spain

Discussant: Peter Spencer - University of York, UK

In this paper, we estimate the term structure of interest rate volatilities. We find that the estimates depend significantly on the model used to estimate the zero coupon yield curve structure (Nelson and Siegel; Vasicek and Fong) and the assumption about the heteroskedasticity structure of errors (OLS or GLS weighted by duration). We conclude in our empirical analysis that there are significant differences between those volatilities in the short term (less than one year) and in the long term (more than ten years). Finally, we find that four principal components approximately explain 96% of the changes in volatility term structure. These components are related to the level, slope, curvature and hump of the term structure.

"Implementing the OAS Methodology to the Spanish Corporate Fixed Income Market (AIAF)"
Antonio Diaz - Universidad de Castilla-La Mancha, Spain
Marta Tolentino - Universidad de Castilla-La Mancha, Spain

Discussant: Roselyne Joyeux - Macquarie University, Australia

Managers of portfolios that include bonds with embedded options need indicators that provide information about the return on those assets. A measure often used by professionals is the Option Adjusted Spread (OAS). The present paper contributes to the study of these bonds in two aspects. Firstly, we apply the option adjusted Spread methodology to bonds with embedded options that have been traded in the Spanish Market AIAF in the period 1991-2004, in order to analyze the variables that determine the OAS and the SPREAD of the assets. Secondly, we try to analyze how the model used to derive the dynamics of the interest rates influences the results obtained. For this, we have implemented the Ho and Lee (1986) and the Black, Derman and Toy (1990) consistent term structure of interest rates models. We conclude that, for the sample and the period of our study, the estimates from the Ho and Lee model confirm those obtained by other studies for other markets and other assets.

SESSION 43 **Wednesday 8:30-10:15** **Jason**

GOVERNANCE II
Session Chair: P.N. Junankar - University of Western Sydney, Australia

"Corporate Governance of French IPO"
Julien Le Maux - HEC Montreal, Canada

Discussant: Rayna Brown - University of Melbourne, Australia

The objective of this study is to investigate the relation between underpricing, corporate governance, and financial communication. On the basis of a sample of 62 initial public offerings (IPOs) from 2001–2006, we show evidence that underwriters and auditors have a significant impact on underpricing. Furthermore, we do not find evidence that there is any relation between corporate governance structures and underpricing. Finally, we present evidence that financial communication has a positive and significant impact on underpricing.

"What are Friends for? CEO Networks, Pay and Corporate Governance."
Rayna Brown - University of Melbourne, Australia
Edward Lee - Manchester Business School, UK
Ning Gao - Manchester Business School, UK
Konstantinos Stathopoulos - Manchester Business School, UK

Discussant: Tatyana Sokolyk - University of Wyoming, USA

We investigate the impact of CEO networking on compensation arrangements. Unlike existing studies that are largely based on board interlocks, we use a unique measure that calculates the direct ties the CEO has created during her corporate career. We argue that the power of the CEO in the managerial labor market is more important than her power within the firm. We find that the size of the CEO network is positively related to the level of CEO compensation and inversely related to its pay-performance sensitivity. We interpret our results as direct evidence that managerial power influences compensation. However, in firms where shareholders rights are well protected, the impact of the CEO network over pay arrangements diminishes. This implies that outrage cost and governance reduces managerial power in pay negotiation. Overall, our results are consistent with the predictions of the managerial power approach.

"Governance Provisions and Managerial Entrenchment: Evidence From Forced CEO Turnover of Acquiring Firms"
Tatyana Sokolyk - University of Wyoming, USA

Discussant: Manuel Lingo - WU Wien and Oesterreichische National Bank, Austria

Recent studies argue that the deployment of governance provisions is associated with managerial entrenchment. However, studies examining the relation between the deployment of governance provisions and CEO turnover do not find evidence in support of managerial entrenchment. This study examines whether managers of firms with high number of provisions are less likely to be replaced following value-reducing acquisition decisions. CEOs of firms with high number of provisions are as likely to face disciplinary turnover as are CEOs of firms with low number of provisions, which suggests that the aggregate number of governance provisions is not a useful measure of managerial entrenchment. However, managers of firms with staggered boards are less likely to be replaced by the takeover market following value-reducing acquisitions, supporting the notion that staggered boards facilitate managerial entrenchment.

"The Performance of Erroneous Rating Systems during Changes in the Economic Environment"
Manuel Lingo - WU Wien and Oesterreichische National Bank, Austria
Gerhard Winkler - WU Wien and Oesterreichische National Bank, Austria

Discussant: Julien Le Maux - HEC Montreal, Canada

Theory of finance has acclaimed initial screening and ongoing monitoring as two essential functions of banks aimed at enabling these institutions to minimize the negative effects of adverse borrower selection. Against this background, this paper studies the impact of erroneous rating systems on the performance of banks. We employ a multi-bank, multi-period model to study the effects of adverse selection caused by erroneous rating systems on banks' market shares and excess returns during changes in the economic environment. Our model is parameterized using a unique dataset on the Austrian banking market provided by the Austrian central bank. Applying a scenario technique which also accounts for differences in customer behavior, the results of our numerical analyses show that the effects of erroneous rating systems on performance can be substantial and are furthermore heavily dependent on customer behavior and economic conditions. The empirical findings are consistent with earlier theoretical works on adverse selection, help explain banks' counter-cyclical lending standards, and may provide bank managers with useful insights on the determinants of the optimal accuracy of their rating systems.

SESSION 44 Wednesday 8:30-10:15 Odysseas

INTERNATIONAL FINANCE
Session Chair: Wendy Rotenberg - University of Toronto, Canada

"Speed of Convergence to Market Efficiency for NYSE-Listed Foreign Stocks"
Nuttawat Visaltanachoti - Massey University, New Zealand
Ting Yang - Auckland University of Technology, New Zealand

Discussant: Crina Pungulescu - Toulouse Barcelona Business School - ESEC, Spain

This paper contributes to the cross-listing literature by documenting the speed of convergence to market efficiency for foreign stocks listed on the NYSE. We find that on average it takes 30 to 60 minutes for a foreign stock to achieve market efficiency. For a comparable U.S. stock, it takes only 10 to 15 minutes. The significant difference between foreign and U.S. stocks remains robust when the speed is measured by the number of transactions instead of in calendar time. After relevant firm characteristics are controlled for, the speed for foreign stocks is significantly positively related to the quality of their home-country institutions. We find that one possible channel through which institutions affect the speed is through their impact on information asymmetry.

"Market Size Effects and Integration: Emerging vs. Developed Countries"
Peter de Goeij - Tilburg University, The Netherlands
Crina Pungulescu - Toulouse Barcelona Business School - ESEC, Spain
Frans de Roon - Tilburg University, The Netherlands

Discussant: P.N. Junankar - University of Western Sydney, Australia

This paper investigates market size effects for expected returns from a large set of developed and emerging markets over a time span of up to three decades. We find that expected returns decrease significantly in larger markets, an effect that is dominant in emerging rather than developed countries. Furthermore, we explore the relationship between size effects and the level of market segmentation in emerging countries. The size premium remains strong and persistent across periods over and above the segmentation premium documented in the literature with respect to the intensity of capital controls. This implies that as markets integrate and expand, expected returns fall due to the decrease of both size as well as segmentation premiums. The market size effect is independent of the segmentation premium and accounts for about 1% per year in terms of expected returns in emerging countries.

"Stock Market Development, Economic Reform and Economic Growth: A Case Study of Arab Countries"
Rateb Abu-Sharia - FAS Real Estate Company, Kingdom of Saudi Arabia
P.N. Junankar - University of Western Sydney, Australia

Discussant: Ting Yang - Auckland University of Technology, New Zealand

This paper analyses the impact of stock market development and economic reform on economic growth in Arab countries using modern econometrics techniques on a panel data set for 11 Arab countries over the period 1980-2002. The empirical results found that there is no evidence of economic growth effects from either stock market liquidity or economic reform when controlling for the economic growth determinants. The catch-up effect of convergence provides the correct sign and shows a significant impact in all estimation alternatives of the OLS, 2SLS and GMM estimators.

"From Mines and Fields to Boards and Yields: International Commodity Prices and the Australian Stock Market"
Chris Heaton - Macquarie University, Australia
George Milunovich - Macquarie University, Australia
Anthony Passe De Silva - JP Morgan, Australia

Discussant: Deniz Kebabci - San Francisco State University, USA

We propose a method for consistently estimating the earliest time during the trading day at which all foreign overnight information is reflected in the domestic share price, and apply it to an analysis of the impact of overnight international commodity returns on four Australian Securities Exchange (ASX) indices. We find evidence that the ASX opening prices do not fully reflect overnight news from the commodity markets, and that an analysis based on the opening prices would drastically underestimate the impact of foreign news. When domestic prices are measured at the appropriate time, overnight commodity returns explain up to 17% of the opening price variation of the ASX indices that we consider.

SESSION 45 Wednesday 8:30-10:15 Megas Alexandros

MUTUAL FUNDS II
Session Chair: Samuel H. Szewczyk - Drexel University, USA

"Short-term Persistence in the Performance of U.K. Closed-end Funds"
Sam Agyei-Ampomah - University of Surrey, UK

Discussant: Ana Carmen Diaz Mendoza - Universidad del Pais Vasco, Spain

This study employs daily net asset value (NAV) and fund share price (FSP) returns to examine performance persistence in a sample of U.K. investment trusts. We sort the funds into Quantile based on various measures of performance and using ranking periods ranging from 3 to 24 months, and then compute the performance of the funds in each quantile in the post-ranking periods, also ranging from 3 to 24 months. The general result is that the large spread between the best (P5) and worst (P1) performing funds observed in the ranking period disappears in the post-ranking period. Two other tests, a regression of performance estimates on lagged performance estimates, and a multi-period runs test, also support the conclusion of no persistence.

"The Dynamic of Management Fees in the Mutual Fund Industry"
Ana Carmen Diaz Mendoza - Universidad del Pais Vasco, Spain
Miguel Angel Martinez Sedano - Universidad del Pais Vasco, Spain

Discussant: Maria Ceu Cortez - University of Minho, Portugal

The aim of this paper is to analyze the dynamic price-setting (through changes in the management fees) in the Spanish mutual fund industry. The study is applied to a sample of Spanish mutual funds from 2002 to 2007. Management fee changes account only for a 4% of the observations, but they are economically significant. A substantial 29% of the total number of funds is involved on management fee changes along the sample period, with an average change larger than 0.5 basis points. Results seem to reveal that small and poor-performer funds (and also management companies) have decreased asset-based management fees as a way to improve its degree of competition in the industry. However, no significant effects on this line are found in the paper. Small funds, with low excess returns, high quarterly returns and being owned by good performer management companies have decreased performance-based management fees. These performance-based management fee decreases, seem to have been a negative effect on the subsequent returns and on the net excess returns and a positive impact on the fund market share. It seems that the decreasing of the performance fees makes that the manager does a minor effort because of performance-based fee is an explicit incentive for the manager.

"Socially Responsible Investing in the Global Market: The Performance of US and European Funds"
Maria Ceu Cortez - University of Minho, Portugal
Florinda Silva - University of Minho, Portugal
Nelson Areal - NEGE, Portugal

Discussant: Andrew Mason - University of Surrey, UK

This paper investigates the performance of a sample of socially responsible funds investing globally.

Funds from the US and from seven European countries are analyzed over the period from August 1996 to August 2008. Alternative specifications of the return generating process are considered for the estimation of fund performance relative to conventional and social responsible benchmark portfolios. Besides the CAPM-based single index-model, several specifications of the multi-index model are also applied, as well as their corresponding conditional versions. Global socially responsible funds in most European markets do not show significant performance differences in relation to both conventional benchmarks and socially responsible benchmarks. US funds, and to a less extent, Austrian funds, though, show evidence of under performance. By applying conditional models, we find evidence of time-varying betas, but not of time-varying alphas. With respect to investment style, we have found evidence that socially responsible funds are strongly exposed to small caps and value stocks. While these results are consistent with previous studies, they uncover some mis-classification issues in global socially responsible funds. Finally, we have also documented a significant home bias for global socially responsible funds, which probably implies that these funds do not benefit fully from the potential diversification effects that could arise from international investing.

"The New Debate for Returns Based Style Analysis; RBSA or BFI?"

Andrew Mason - University of Surrey, UK
Frank McGroarty - University of Southampton, UK
Stephen Thomas - Cass Business School, UK

Discussant: Sam Agyei-Ampomah - University of Surrey, UK

In this paper we consider whether the returns based style analysis (RBSA) methodology as introduced by Sharpe (1992) is still the most appropriate method of estimating investment style from investment returns for a single but diversified asset class, in this case US equity funds, or whether a range of style indices, reflecting growth and value orientation performs the task in a more efficient and transparent manner. Our study covered the period 1996-2005 and is based on the monthly returns of Diversified U.S. Equity mutual funds and a wide range of U.S. Equity Indices provided by Russell and Standard & Poor's. Discussion of RBSA has generally revolved around the selection of appropriate benchmarks, the 'timeliness' of the methodology, whether the constraints of non-negativity or exhaustive coverage, should be applied or not and questions have also been raised about the statistical robustness of the methodology but despite some criticism the basic Sharpe RBSA model is still being implemented and refined and still has a place in style analysis. Our main contributions to the literature are the introduction of RBSA 'style clusters' i.e. the formation of style groups on the basis of RBSA results, which seems to have been overlooked in the literature where each fund is treated as an individual style and compared to it's own 'hypothetical style index' or funds are considered under the umbrella of existing style groupings. Our style groups allow 'peer groups' to be formed or benchmarks to be selected allowing performance evaluation and portfolio diversification. Another contribution we make is to highlight the significant changes in style benchmark calculation which have occurred since the publication of Sharpe's (1992) model. All major index producers; Russell, Standard & Poor's/CitiGroup, MSCI and Dow Jones Wilshire and the major providers of information on the U.S. Mutual Fund industry, Morningstar and Lipper, have abandoned simple two dimensional ranking systems and moved to more advanced methodologies based on investment characteristics to calculate the growth-value orientation of the components of a style index. Such developments have improved their ability to provide a representative index for a broad range of investment styles. We have addressed the issue of interpretation of results and find that there is sometimes a tendency to read more into the results than is really there or to try to prove misclassification of funds where it does not exist. Our findings, based on in sample and out of sample testing of a Sharpe Style RBSA model and a simple Best Fit Index (BFI) regression model (using a broad range of style indices) led us to the following conclusions: RBSA can be used to form meaningful style groups using cluster analysis to group funds with the most similar index weighing or coefficients. These groups performed well in out of sample tests for the 12 month periods following formation of groups. We concluded that RBSA can capture some of the complexities of style for a single but diversified asset class but is probably better suited to categories of investment where information is less easily available such as asset allocation funds or hedge funds. We also asked the question, does RBSA add value over a simple regression of fund returns against a judicious range of style indices and concluded that the answer was no. Our Best Bit Index (BFI) methodology performed better in and out of sample. This method also has the advantage of statistical robustness, transparency, ease of use and flexibility.

SESSION 46	Wednesday 10:30-12:00	Salon Achilles

IMPLIED VOLATILITY
Session Chair: Constantin Zopounidis - Technical University of Crete, Greece

"The Volatility Premium"
Bjorn Eraker - Wisconsin School of Business, USA

Discussant: Alireza Tourani-Rad - Auckland University of Technology, New Zealand

Implied option volatility averages about 19% per year, while the unconditional return volatility is only about 16%. The difference, coined the volatility premium, is substantial and translates into large returns for sellers of index options. This paper studies a general equilibrium model based on long-run risk which in an effort to explain the premium. In estimating the model on past data of stock returns and volatility (VIX), the model is successful in capturing the premium, as well as the large negative correlation between shocks to volatility and stock prices. Numerical simulations verify that writers of index options earn high rates of return in equilibrium.

"The Information Content of Implied Volatility: Evidence from Australia"
Bart Frijns - Auckland University of Technology, New Zealand
Christian Tallau - University of Gottingen, Germany
Alireza Tourani-Rad - Auckland University of Technology, New Zealand

Discussant: Jayasinghe Wickramanayake - Monash University, Australia

This paper develops an implied volatility index for the Australian stock market, termed the AVX, and evaluates its information content. Using price data on S&P/ASX 200 index options we construct an implied volatility index with a constant time to maturity of three months. We find a significant negative and asymmetric relationship between changes in implied volatility and S&P/ASX 200 returns, i.e., stock market prices decline more when implied volatility increases than they increase when implied volatility drops. When evaluating the forecasting power of implied volatility for future market volatility we find that the implied volatility index contains important information both in-sample and out-of-sample. In-sample, the implied volatility index significantly improves the fit of a GJR-GARCH(1, 1) model. Out-of-sample, we find that the index significantly outperforms the RiskMetrics and GJR-GARCH(1, 1) model, with its highest forecasting power at the one-month forecasting horizon.

"Long-term Performance of Australian Target Companies Following Unsuccessful Takeovers: An Empirical Analysis"
Jayasinghe Wickramanayake - Monash University, Australia
Nathan Wawryk - Macquarie Capital Advisers, Australia

Discussant: Bjorn Eraker - Wisconsin School of Business, USA

The purpose of this paper is to shed light on the motivations behind takeover deals by exploring how target companies perform before and after an unsuccessful takeover bid has been made for them. Calendar -time portfolio methodology is used on a sample of Australian target companies and it is found that acquisitions are generally made to exploit potential synergies from the merger and not motivated by superior information regarding the value of the target company. However, further analysis shows that while takeovers of small firms are driven by potential synergies, mergers and acquisitions of large firms are undertaken due to informational motives. The results from this study may have implications for companies when faced with the threat of takeover, for investors trying to establish a profitable trading strategy, and for regulators when ruling on takeover deals.

SESSION 47	Wednesday 10:30-12:00	Salon Poseidon

REPURCHASES
Session Chair: Bjorn Eraker - Wisconsin School of Business, USA

"Share Repurchases in Europe. Underlying Signals and Regulatory Frameworks: A Cross-Country Analysis."
Dimitrios Andriosopoulos - Cass Business School, UK

Discussant: William J. McNally - Wilfrid Laurier University, Canada

This research paper investigates the market reaction to the announcement of intention to repurchase ordinary shares by UK, French and German firms over the ten year period 1997 to 2006. Consistent with the current literature, the results show that both in the UK and Germany share repurchases are increasingly popular and the market reaction is positive. In contrast, in France, even though share repurchasing announcements are similarly popular, the market reaction is marginally positive and during the post-event period the abnormal performance becomes significantly negative. In, addition the results show that the markets have a more favorable reaction to the initial announcement of intention to repurchase, than on the subsequent announcements, and similar to the average market reaction reported in the US studies. Further, changes in regulations and tax have a significant effect on the market reaction but only in the UK. Finally, the evidence support the agency and the undervaluation hypotheses, as well as the fact that institutional factors such as firm size and the payment of dividends explain a proportion of the market reaction during the five days surrounding the announcement of intention to repurchase.

"A Microstructure Analysis of the Liquidity Impact of Open Market Repurchases"
William J. McNally - Wilfrid Laurier University, Canada
Brian F. Smith - Wilfrid Laurier University, Canada

Discussant: Ian Rakita - Concordia University, Canada

This paper examines the liquidity impact of Canadian open market repurchases. While past studies report conflicting results, we find that repurchasing companies are net liquidity providers. Nearly 60% of repurchase trades are seller-initiated and after controlling for trade initiator, we find that quote depths increase following repurchase trades. Equivalent non-repurchase trades and purchases by other insiders do not generate the same improvements in liquidity as repurchase trades. An analysis of liquidity changes around repurchase announcements reveals a decline in both components of the spread (adverse selection and inventory holding/order processing) and increases in quote depths. The improved liquidity is consistent with findings from recent U.S. research, but different from results from other markets. We attribute the difference to an up-tick restriction which limits the aggressiveness of North American repurchases.

"Behavior of Liquidity and Returns Around Canadian Seasoned Equity Offerings"
Lawrence Kryzanowski - Concordia University, Canada
Skander Lazrak - Brock University, Canada
Ian Rakita - Concordia University, Canada

Discussant: Dimitrios Andriosopoulos - Cass Business School, UK

Liquidity improves for announcement and closing windows for Canadian SEOs. The adverse selection (temporary) spread cost follows an approximate V-shaped pattern achieving its lowest level at the announcement (closing) window. The adverse selection cost of privately-placed Canadian SEOs decreases after Multilateral Instrument 45-102 reduced the lock-up period to four months in 2001. Consistent with the reductions in information asymmetry, negative (not robust) abnormal returns occur in announcement and closing windows for undifferentiated SEOs. Abnormal returns are significantly different for public (significantly negative) versus private (insignificantly positive) SEOs. Conditional residual volatilities decrease post-announcement, consistent with a diminished temporary spread cost.

SESSION 48 **Wednesday 10:30-12:00** **Jason**

CORPORATE FINANCE
Session Chair: Zaher Z. Zantout - American University of Sharjah, United Arab Emirates

"Acquisitions and CEO Power: Evidence from French Networks"

Sabrina Chikh - ESC Lille, France
Jean-Yves Filbien - ESC Lille, France

Discussant: Andre E. Thibeault - Vlerick Leuven Gent Management School, The Netherlands

Our paper examines the impact of CEO power on the firm acquisition policy. We estimate the likelihood to complete an acquisition although the market reaction to its announcement was negative. We rely on Finkelstein (1992)'s classification which defines four types of power that refers to structural, ownership, expertise and prestige. Using a sample of 260 French acquisition announcements during 2000 to 2005, our results suggest that CEOs of acquiring firms are learning from market only for the structural, ownership and expertise powers. Indeed, prestige power, based on the strong French networks of the economic world, illustrates the interests' divergence between CEO and shareholders.

"Intangible Assets and Default Prediction of SMEs"
Frieda Rikkers - Tilburg University, The Netherlands
Andre E. Thibeault - Vlerick Leuven Gent Management School, The Netherlands

Discussant: Alexandros P. Prezas - Suffolk University, USA

The nature of companies has changed over time. Fixed assets have been replaced by intangible assets such as goodwill and research and development. More and more companies show intangible assets on their financial statements that are recognized as an asset and amortized over its useful life. As a result, financial ratios have changed. An important question we investigate in this research is whether credit risk models for SMEs, designed to evaluate ‘traditional’ firms with physical assets, are capable of signaling default of firms with (high) amounts of intangible assets. A second research question is whether the balance sheet should be adjusted for capitalized intangible assets, by subtracting the amount of intangible assets from total assets and owners’ equity, when modeling credit risk of SMEs, as banks do. Based on a unique dataset of private firm’s bank loans of a Dutch bank, five PD models are developed and analyzed. The results show that PD models developed for traditional SMEs contain other variables than models developed for SMES with large amounts of intangibles, indicating that SMEs with intangibles need other PD models. PD models with ratios where the balance sheet is not adjusted for capitalized intangible assets perform significantly better than models where the balance sheet is adjusted for intangibles, indicating that banks rating practices are too conservative.

"The Effects of Off Shoring on Firm Value and Operating Performance"
Alexandros P. Prezas - Suffolk University, USA
Karen Simonyan - Suffolk University, USA
Gopala Vasudevan - University of Massachusetts, USA

Discussant: Sabrina Chikh - ESC Lille, France

We study the wealth effect of off-shoring by analyzing announcement-period abnormal stock returns and post-announcement-period operating performance of firms that off-shored jobs in the 2000-2005 period. For the overall sample, mean announcement period returns are negative indicating that the market does not perceive off-shoring to create value. Announcement-period stock returns are positive (though not statistically significant) for firms that offshore jobs primarily to reduce costs, but negative and significant for firms that offshore jobs for other reasons. Also, announcement-period stock returns are higher for firms with better operating performance, lower growth potential, and larger size in the year prior to the off-shoring announcement. Evidence in a matched set of sample firms indicates that firms that offshore jobs primarily to reduce costs enjoy improved operating performance in the year following the off-shoring. They also reduce the cost of goods sold, capital expenditures, and number of employees compared to matching non-off-shoring firms. Our findings indicate that not all firms enjoy the benefits of off-shoring but only those that offshore to primarily reduce costs.

SESSION 49 **Wednesday 10:30-12:00** **Odysseas**

HEDGING & HEDGE FUNDS
Session Chair: Jeffrey L. Callen - University of Toronto, Canada

"International Allocation Determinants for Institutional Investments in Venture Capital and Private Equity Limited Partnerships"

Alexander P. Groh - IESE Business School, Spain
Heinrich von Liechtenstein - University of Navarra, Spain

Discussant: Wendy Rotenberg - University of Toronto, Canada

We examine the determinants of institutional investors when deciding about international capital allocation in Venture Capital and Private Equity Limited Partnerships through a questionnaire addressed to (potential) Limited Partners world-wide. The respondents provide information about their criteria for international asset allocation. The protection of property rights is the dominant concern, followed by the need to find local quality General Partners, and the quality of management and skills of local entrepreneurs. Furthermore, the expected deal flow plays an important role in the allocation process, while investors fear bribery and corruption. Public funding and subsidies do not at all play a role in the international allocation process. Hence, private money does not follow public money. The IPO activity and the size of local public equity markets are not as relevant as proposed by other researchers. Our results can support policymakers to increase the attractiveness of their countries for institutional investors and hence, to receive more risk capital for innovation, entrepreneurship, employment and growth.

"Foreign Financing and Hedging Activities of Canadian Firms: Alternative Foreign Exchange Exposure Management Strategies"

Wendy Rotenberg - University of Toronto, Canada

Discussant: Joseph P. Ogden - University at Buffalo-SUNY, USA

This study examines financial and operational hedging strategies of Canadian firms. Foreign debt and equity financing are common in Canada and there is widespread use of financial derivatives. Foreign debt financing and hedging with financial derivatives are found to be complementary. The results also indicate that firms employing foreign currency denominated debt are more likely to also employ foreign equity capital by cross listing on US exchanges. Further, for those firms that employ financial derivatives, foreign debt and operational hedging are complements. That is, firms financing a higher proportion of their total assets with foreign debt are also more geographically diverse. For those firms not hedging with financial derivatives, a positive relationship is found between the use of foreign debt and primary industry affiliation, which is sensible in the Canadian context. Primary products often have a world price expressed in US dollars, so US dollar denominated debt serves as a natural hedge of what is essentially a foreign currency revenue stream. Overall the results indicate that an examination of financial and operational hedging should include a review of the sources of both debt and equity capital, as well as the use of financial derivatives.

"Momentum and Occam's Razor: Behavioral Delayed Overreaction or Arbitrage-Cost and Risk-Premium Dynamics?"

Joseph P. Ogden - University at Buffalo-SUNY, USA

Discussant: Heinrich von Liechtenstein - University of Navarra, Spain

Previous research documents evidence that stocks with high (low) returns in the past 3-12 months subsequently have high (low) returns in the subsequent 3-12 months, but thereafter this 'momentum' effect is reversed. Jegadeesh and Titman (2001) tentatively attribute these phenomena to behavioral delayed overreaction. I present an alternative hypothesis that the phenomena are due to the combined effects of arbitrage cost dynamics and risk premium dynamics. I develop a dynamic cost/risk model based on this hypothesis. I then conduct empirical tests of both hypotheses. The evidence is mixed, but largely favors the cost-risk dynamics hypothesis.

SESSION 50 **Wednesday 10:30-12:00** **Megas Alexandros**

POLITICS AND MARKETS

Session Chair: Alireza Tourani-Rad - Auckland University of Technology, New Zealand

"Political Rights and the Cost of Debt"

Yaxuan Qi - Concordia University, Canada
Lukas Roth - Pennsylvania State University, USA
John K. Wald - University of Texas at San Antonio, USA

Discussant: Taufiq Choudhry - University of Southampton, UK

We examine the impact of country-level political rights on the cost of debt for corporate bonds issued by firms incorporated in 39 countries. Similar to, but separate from, the relation for creditor rights, greater political rights are associated with lower yield spreads. A one standard deviation increase in political rights is associated with an 18.6% decline in bond spreads. We find evidence that political and legal institutions are substitutes; marginal improvements in political rights produce greater reductions in the cost of debt for firms from countries with weaker creditor rights. We examine potential factors through which political rights may affect the cost of debt and find that greater freedom of the press provides an important channel for reducing bond risks. Moreover, debt of firms with cross-listed equity trades at a premium in U.S. markets, but this relation appears to be more consistent with improved visibility than with bonding effects.

"World War II Events and The Dow-Jones Industrial Index"

Taufiq Choudhry - University of Southampton, UK

Discussant: Tomas Mantecon - University of North Texas, USA

This paper tries to determine which events of World War II (WWII) were viewed as the turning point (structural break) of war by the US investors. The empirical study employs daily Dow Jones industrial average stock index from January 1939 to December 1945 and applies structural shift oriented test to determine endogenously the structural breaks during the WWII period. Results show that majority of the wartime events (on and off the battle field) labeled important by historians did result in structural breaks. This paper provides a useful way for studying how investors in the past responded to various events that were happening around them. This has important implications to the investors of present and future.

"Do Financial Analysts' Opinions Matter?"

Yi Liu - University of North Texas, USA
Tomas Mantecon - University of North Texas, USA
Samuel H. Szewczyk - Drexel University, USA

Discussant: Yaxuan Qi - Concordia University, Canada

Using all available 385,342 initiations, upgrades and downgrades of analysts' recommendations from 1980 to 2008 from First Call, we explore both short-term and long-term market reactions following those announcements. We find significant positive announcement abnormal returns following upgrades and negative abnormal returns following downgrades. However, we also find significant drift following downgrades, but the drift following upgrades is not as robust and not significant across sub-samples. Although most initiations start with positive ratings and less than 5% start with negative ratings, we find positive announcement abnormal returns following initiations with buy or strong buy, and negative abnormal returns following sell or strong sell. Initiations with neutral rating were followed by significant negative abnormal returns. We don't find any evidence of post-announcement drift for initiations of positive or natural ratings, but find significant drift for initiations with sell or strong sell. Overall, over evidences support the argument that analyst' recommendations have investment values, but suggest market under-react to negative rating initiations or revisions.

NOTES

NOTES

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