
ABSTRACTS**1. VOLATILITY LINKAGES AND SPILLOVERS IN STOCK AND BOND MARKETS:
SOME INTERNATIONAL EVIDENCE**

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ABSTRACT

This study investigates the transmission of market-wide volatility between the equity markets and bond markets of Japan, Germany, the U.K., and the U.S. To measure the volatility transmission, the BEKK- a decomposition approach of the multivariate GARCH (1, 1) model, is used to examine the cross-market contemporaneous effect of information arrival. Our results suggest that within the domestic cross markets, the volatility transmission is unidirectional from the stock market to the bond market. Evidence from international cross-market analysis is mixed, with strong evidence on volatility spillover among these international stock markets, but weak evidence between international stock and bond markets. In addition, there are significant bi-directional volatility transmissions between stock markets in Germany and the U.K., and between Germany and the U.S. The volatility transmissions among these markets suggest that the international diversification of bonds is not prevalent.

Keywords: Comovement, volatility transmissions, market-wide volatility, spillover effect.

**2. A COMPARISON OF TRADITIONAL TIME SERIES MODELS TO FORECAST RETURNS ON
KOREAN COMPOSITION STOCK PRICE INDEX 200**

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ABSTRACT

Although there have been various time series models to forecast stock market returns, many of them have little practicability due to their complexity. This paper compares an autoregressive integrated-moving average (ARIMA) model and a univariate transfer function (UTF) model to forecast returns on the KOSPI 200 (Korean Composition Stock Price Index 200) by employing general econometric procedures. The comparison of the models shows that the UTF model has better forecasting power than the ARIMA model.

Keywords: ARIMA, UTF, Time Series, Forecasting, KOSPI200

3. THE STABILIZING EFFECTS OF THE EURO ON SPECIFIC STOCK MARKETS

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ABSTRACT

This paper examines the effects of the introduction of the euro on four European stock markets, two of which are considered 'strong' and the others considered 'weak'. The research question is whether the impacts of the euro can be differentiated between the individual country stock markets. One of the motivations for moving to a single currency was to stabilize more volatile economies in the European

Union. The investigation of the country subsets provides evidence of stabilization of fundamentals, since positive abnormal returns are higher for traditionally unstable countries.

Keywords: Stabilizing Effects of the Euro, European Stock Market, Event study on Euro Currency

4. THE ASSOCIATION BETWEEN ALTERNATIVE EARNINGS AND PROFITABILITY MEASURES AND STOCK RETURNS IN SELECTED INDUSTRIES

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ABSTRACT

One of the reasons given for the low explanatory ability of earnings for stock returns is that earnings as currently measured and reported, are of a low quality. This study uses an association methodology to empirically assess earnings quality in terms of their ability to explain stock returns. We gauge the differential explanatory ability of earnings, if any, obtained through the use of alternative accounting measurement rules that are not currently mandated in accounting practice. The rules include the capitalization of Advertising, Research & Development costs and Deferred Taxation, as well as the use of cash-oriented profit measurements. This study is conducted in an earlier period in which all prior period adjustments, accounting changes and other settling adjustments have been completed. The results indicate an increased association arising from these adjustments to earnings as reported.

Keywords: Earnings Quality, Expense versus Capitalization, Advertising Cost, Deferred Tax and R&D Expenses

5. A STUDY OF RSI AND MRSI PERFORMANCE IN TAIWAN STOCK MARKET

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ABSTRACT

This research is using the Relative Strength Index (RSI) that proposed by Levy (1967) and the Modify Relative Strength Index (MRSI) that propose by this research to find trend. It is using the volume-price relationship and the price-volume relationship to modify the Relative Strength Index (RSI). For the index's base, it is called volume-price relationship is primarily focus on the trading volume rise and falling, and the price for auxiliary. Otherwise the price-volume relationship is primarily focus on the price rise and falling, and the trading volume for auxiliary. When investors face the uncertainty or do a forecast now. RSI and MRSI can provided to be an instrument to decide the invest strategy. This research find if investors forecast the stocks market will become the bull market, using the Relation Strength Index, which proposed by Levy, may get better return from stocks market. But if investors forecast the stocks market will become the bear market, using the Modify Relative Strength Index, which proposed by this research, may get better return from stocks market.

Keywords: Relative Strength Index, Stocks Technology Analysis, Stocks Investment

6. EXCHANGE RATE AND STOCK MARKET: EVIDENCE FROM INDIA AND JAPAN

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ABSTRACT

This paper empirically studies the issues of possible Granger causality and interactive feedback relationships between exchange rate changes and stock market returns of India and Japan. Daily data from January 1998 through December 2005 are employed. The time series data are found stationary in levels by ADF (augmented Dickey-Fuller) test for unit root. No discernible evidence of Granger causality is observed between the above variables for Japan. However, such relationship is discovered in the case of India, although not quite substantial. Evidence of very short-run interactive feedback relationships exists in both countries. Japanese stock and foreign exchange markets depict no intra-market risk-transmissions. In the case of India, stock market seems to transmit relatively more risk to foreign exchange market than the vice versa.

Keywords: Exchange Rate, Stock Market, Granger Causality, Interactive Feedback

7. SINGLE STOCK FUTURES: THE EFFECT OF THEIR TRADING ON THE VOLUME, VOLATILITY AND RETURNS OF THE UNDERLYING STOCKS IN INDIA

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ABSTRACT

Single Stock Futures (SSF) trading in India has attracted the attention of world on account of instantaneous success of the product. The familiarity of the product to Indian investors was attributed as primary reason for the success. The study documents the support for this argument and provides empirical evidence that volume from the spot market has moved to SSF. This shift in the volume from the spot market to SSF market has not caused any additional volatility and on the contrary, there is an evidence for a decline in the volatility. The study also finds no conclusive evidence on the behavior of stocks towards the end of SSF contract maturity period.

Keywords: Single Stock Futures, Indian Stock Market, Volatility, Derivatives.

8. ARE U.S. AND EUROPEAN MARKETS INTEGRATED? A STUDY BASED ON SPREAD AND VOLATILITY USING A NASDAQ SAMPLE

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ABSTRACT

In an earlier paper (Sengupta, 2006) we found evidence using a New York Stock Exchange sample that the U.S and the European markets are integrated during the morning trading overlap period. We wanted to test if these results extend to a different kind of market microstructure namely the NASDAQ dealership market. Using a sample of twenty heavily traded European firms on the NASDAQ market matched with a sample of U.S. firms in the same industry and same liquidity, we find, even after controlling for liquidity and probability of informed trading, that there is no significant difference in mean percentage spread between the European firms and the U.S. firms both for the opening thirty minutes of trading at the NASDAQ and for the afternoon thirty minutes of trading from 2:30-3 pm when NASDAQ has closed. To further test our hypothesis we do GARCH (1, 1) estimation and compute the half-life to a shock to

volatility and find no significant difference in half lives between the European and U.S. firms. The overall evidence seems to suggest that NASDAQ markets and European markets are segmented.

Keywords: bid-ask spread, dealer, liquidity

9. RISK AVERSION, DIVIDEND GROWTH AND THE FOREIGN EXCHANGE FORWARD PREMIUM

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ABSTRACT

This paper investigates the empirical performance of dividend growth as a stochastic discount factor in an international consumption based capital asset pricing model. Given that dividend growth exhibits greater variability than consumption growth, it has potential to provide a better discount factor. We find that even although our proposed model yields lower estimates of the risk aversion parameter than the consumption growth model, the estimates are greater than 10. Neither model is rejected by the data.

Keywords: Stochastic discount factor; Capital asset pricing model; Forward foreign exchange premium; Dividend growth; Generalized Method of Moments.

10. EFFICIENT MARKETS, REAL STOCK RETURNS AND EXPECTED INFLATION: EVIDENCE USING THE MICHIGAN INFLATION EXPECTATION

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ABSTRACT

We reexamine the negative correlation between real stock returns and concurrent inflation documented in previous empirical studies using the University of Michigan Inflation Expectation survey data to proxy expected inflation. Although we find the same negative relationship between real stock returns and observed inflation, when observed inflation is decomposed into expected and unexpected components the negative relationship between real stock returns and expected inflation disappears. Neither Fama's (Fama, 1981) nor Geske and Roll's (Geske and Roll, 1983) hypothesis can explain the remaining negative relationship between real stock returns and unexpected inflation suggesting the relationship may be causal rather than spurious.

Keywords: Expected Inflation, Unexpected Inflation, Proxy Hypothesis, Causal Relationship
