

ABSTRACTS**1. ANALYSIS OF THE RELATIONSHIP BETWEEN STOCK MARKET PRICES AND MACROECONOMIC AND FINANCIAL FACTORS: A LINEAR APPROACH**

Andreia Dionisio, University of Evora, Evora, PORTUGAL
Rui Menezes, ISCTE, Lisboa, PORTUGAL
Diana Mendes, ISCTE, Lisboa, PORTUGAL
Jacinto Vidigal da Silva, University of Evora, Evora, PORTUGAL

ABSTRACT

This paper investigates the relationship between the behaviour of certain economic factors and the Portuguese stock market prices based upon uniequational and multiequational linear models.

Keywords: *Stock market, macroeconomic and financial factors, efficient market hypothesis, uniequational and multiequational linear models*

2. ON THE DETERMINANTS OF EXCHANGE RATE EXPOSURE OF UK INDUSTRIES

Ahmed A. El-Masry, Plymouth Business School, Plymouth University, Plymouth, UK

ABSTRACT

This study extends previous research on the foreign exchange rate exposure by investigating the impact of contemporaneous and lagged exchange rate changes on UK industries' stock returns. The analyses are conducted over the total period from 1981 to 2001 and over three subperiods, i.e. Pre-ERM (Jan.1981- Sep.1990), In-ERM (Oct.1990-Sep.1992) and Post-ERM (Oct.1992-Dec.2001). Therefore, the study also aims to identify the sensitivity of industries' stock returns to exchange rate movements over these three subperiods. The findings show that a higher percentage of UK industries are exposed to contemporaneous exchange rate changes than those reported in previous studies. There is also evidence of significant lagged exchange rate exposure. This lagged exchange rate exposure goes in line with the findings of previous studies, in that it shows some market inefficiencies in incorporating exchange rate changes into the returns of firms and industries. In addition, the sensitivities of UK industries' stock returns to exchange rate fluctuations are most evident in the period before joining the ERM and after departure from the ERM (Post-ERM). The proportion of industries with a significant exchange rate exposure declined when the pound was in the ERM and increased again after the UK left it. This study also segregates firms and industries based on various variables that might affect their exchange rate exposure. These variables are divided into two main groups: foreign involvement variables and hedging variables. The results indicate that the extent of firms' foreign activity has an impact on their exchange rate exposure. These findings imply that restructuring foreign operations can reduce exchange rate exposure. The results also reveal that hedging policies are important determinants of the exchange rate exposure. The findings of the study have significant implications for public policy makers, investors and managers.

Keywords: *Exchange Rate Changes, Foreign Exchange Exposure, Stock Returns, UK Industries, Subperiod Analysis, Determinants of Exchange Rate Exposure*

3. THE STOCK RETURN – VOLUME RELATIONSHIP IN EMERGING STOCK MARKETS

Ravindra Kamath, Cleveland State University, Cleveland, Ohio, USA
Jandhyala Sharma, Cleveland State University, Cleveland, Ohio, USA
Jirayuth Chusanachoti, Shell Hut Co., THAILAND

ABSTRACT

This empirical study examines the relationship between daily return and accompanying volumes on nascent stock market indices of Indonesia, South Korea, Malaysia, and Thailand over the entire decade of the 1990's. In three of the four markets, the evidence supports the view that high volumes accompany the rising markets and low volumes accompany the falling markets. In all four Asian markets, the evidence strongly suggests that volumes make the markets move. This investigation found evidence of daily returns Granger causing daily volumes in a significant manner in all four markets. In Indonesia and Malaysia, we also found evidence of significant bi-directional feedback between volumes and returns.

Keywords: *International Finance, Asian Emerging Markets, P-V Relation, Granger Causality*

4. IMPACT OF SINO-EU RELATIONS ON THE WORLD POWER STRUCTURE

Ariyada Changchit, University of California - Berkeley, Berkeley, California, USA
Chuleeporn Changchit, Texas A&M University - Corpus Christi, Corpus Christi, Texas, USA

ABSTRACT

After the Cold War, the European Union (EU) and China emerged as economic powers, developing an international relationship that challenged the Russian-United States global domination of the time. Sino-EU relations has roots in the Silk Road trade and evolved over time to manifest itself in current economic ties and diplomatic relations. A key facet to the evolution and development of this relationship was the EU's involvement in China's World Trade Organization (WTO) accession. The Sino-EU relationship has helped both players emerge as strong international economic forces and both have the potential to become the next superpower on the global stage. The EU has the capability to succeed in challenging current US hegemony and gaining superpower status owing to the fact that the EU has a more stable economic, political, and legal atmosphere and institutions. China, on the other hand, still has a long way to go in terms of economic and political development. Regardless of whether either of these states will become an economic superpower, the Sino-EU relationship will be a vital part in shaping the long-term future of 21st century global politics and the world economy.

Keywords: *Sino-EU Relations, European Union, China, World Trade Organization*

5. SHAREHOLDING STRUCTURE AND PRICING OF A-SHARES: EMPIRICAL EVIDENCE FROM DUALY LISTED A- AND H-SHARES

Veicheng Yu, Tsinghua University, CHINA
Mou-Fung Chan, Tsinghua University, CHINA
Xuegang Cui, Beijing Technology and Business University, CHINA

ABSTRACT

From the perspective of shareholding structure and corporate governance, this paper studies the pricing mechanism of A-shares for firms which dually list A- and H-shares. We propose shareholding structure of circulation and non-circulation shares contribute to valuation of A-shares. We find that (1) the higher the proportion of H-shares in circulation shares, the higher the valuation of corresponding A-shares will be, (2) the higher the proportion of non-state legal shares in non-circulation shares, the lower the valuation of

corresponding A-shares will be, and (3) the more the holders of circulation A-shares, the more associated the A-share price will be with the corresponding H-share price.

Keywords: dual listing, shareholding structure, corporate governance, individual investors

6. THE PERFORMANCE OF VIRTUAL COMMUNITY FUNDS

Mou-Fung Chan, Tsinghua University, Beijing, CHINA

ABSTRACT

This paper studies the theories and evaluates the performance of virtual community funds. Virtual community funds are funds that make use of the connectivity of the Internet and interactivity of the virtual community to get investors involved in investment management process. The assertion is that symbiotic intelligence of the virtual community will lead to superior fund performance. This paper finds no evidence of superior risk-adjusted performance of virtual community funds. None of the four funds being studied over the stipulated periods exhibits statistically significant outperformance as measured by the Jensen coefficients, nor do any of them exhibit market-timing abilities. The findings are in agreement with most fund performance studies that mutual funds on average do not provide excess risk-adjusted returns.

Keywords: virtual community fund, mutual fund performance, symbiotic intelligence, Jensen coefficient

7. THE EMERGENCE OF THE MULTINATIONAL ENTERPRISE: A DECISION-MAKING MODEL

Guoqiang Li, University of Macau, Macau, P. R. CHINA

ABSTRACT

This paper presents a decision-making model that formalizes and refines Dunning's Eclectic Paradigm based on a reconfiguration of concepts taken from new classical economics literature. Assuming individuals in home country have technology advantage in producing management service over those in host country, from the viewpoint of a management specialist, he has five possible choices to benefit from his advantage: domestic production, domestic licensing, export, international licensing and international production. If international production can generate more real income than any other choices, the management specialist will directly invest in host country and multinational enterprise emerges. When all the possible choices of a management specialist have been taken into account, the multinational enterprise is treated as an "organization mechanism" and the independent variables are relevant transaction efficiency coefficients as "specifically and operationally testable OLI parameters", the explanation of the emergence of the multinational enterprise has provided a version of the formalization of Dunning's original Eclectic Paradigm.

Keywords: Multinational Enterprise, Eclectic Paradigm, Entry Mode, Transaction Cost

8. AN EXAMINATION OF THE WEEKEND EFFECT IN THE MEXICAN STOCK MARKET

Srinivas Nippani, Texas A&M University-Commerce, Commerce, Texas, USA

ABSTRACT

We examine if there exists a weekend effect or a 'reverse' weekend effect the Mexican stock market. Using data over the period 1988-2003, we find that Monday returns are significantly negative as

compared with the average return of the other weekdays based on the Connolly (1989) model and t-tests. It appears that the behavior of Mexican stock market is more along the lines of traditional weekend effect.

Keywords: *Market Efficiency, Weekend Effect, Mexican Stock Market*

9. JAPAN SINCE 1990: A CASE OF MONETARY FAILURE

Michael Cosgrove, College of Business, University of Dallas, Texas, USA

Daniel Marsh, College of Business, University of Dallas, Texas, USA

ABSTRACT

Prior to 1990, Japan's economy was one of the best performing in the world, with real growth rates higher than those of other developed countries. Since 1990, Japan's economic performance has been anemic. We attribute this change in results to a shift in monetary policy, specifically a lowering in the rate of growth of monetary aggregates. We document this shift, then offer an explanation for why Japanese monetary policy makers have persisted in following a faulty policy. They appear to be wedded to obsolete economic theories.

Keywords: *Japan, Monetary Theories, Monetary Aggregates, Economic Growth, Bond Yields*
