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**ABSTRACTS**
**1. AN APPLICATION OF CONDITIONAL COPULA FOR THE RISK MANAGEMENT OF FIXED INCOME PORTFOLIOS**

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**ABSTRACT**

*Empirical studies show that asset returns are non-normal and also time varying. These findings explain why the normality VaR and unconditional VaR perform poorly in market risk measurement and management. In the literature, the bivariate conditional copula function can be used to represent a joint distribution function of correlated asset returns whose marginal distributions can be of any form, and to accommodate time varying behavior of asset returns. This study extends the technique further to be able to measure the risk of a portfolio of any number of assets. The extension is successful because the study can endorse a positive definite correlation matrix of the conditional copula function by applying Semidefinite Programming (SDP). The study applies the method in risk measurement of Thai Government bond portfolios. In principle, the method should show improved performance over previous empirical studies, but the results from the Kupiec test show that the conditional copula method fails to estimate the VaR of these portfolios. This failure may have been caused by the misspecification of marginal distribution.*

**Keywords:** Value at Risk; Conditional Copula; Risk Measurement

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**2. INTELLECTUAL CAPITAL AND PROFITABILITY IN THE LEATHER SET UP, LEATHER ARTIFACTS, TRAVELLING PRODUCTS, AND FOOTWEAR SECTOR IN BRAZIL**

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**ABSTRACT**

*Once several studies have proved that the market value of the companies has distanced themselves from the book value, researchers have been searching the causes that explain the high discrepancy. One research stream focuses the intangible resources, and among these, the impact that the intellectual capital shows on the value creation. This study has tested the model proposed by Professor Ante Pulić in order to verify if the intellectual capital exerts a positive impact on the profitability of the companies. The sample reached the Leather Set Up, Leather Artifacts, Travelling Products, and Footwear Sector in Brazil, of which companies are picked up from the data basis of the Brazilian Institute of Geography and Statistics (IBGE) that carries out the Annual Industrial Research (PIA), with the national code of economic industry (CNAE) 19. The hypotheses tested were: (I) a positive relationship between profitability and intellectual capital exists; (II) a positive relationship between profitability and stock of intellectual capital exists; (III) a positive relationship between profitability and efficiency of the capital employed exists; (IV) a positive relationship between profitability and efficiency of the human capital exists; (V) a positive relationship between profitability and efficiency of the structural capital exists. Panel data analysis was used in order to corroborate the hypotheses. The obtained results put forward a statistically significant and positive relationship between (the stock and the flow) the intellectual capital and the profitability, measured by Return on Assets (ROA), in static models based on minimum square errors. The dynamic models have not been corroborated.*

**Keywords:** intellectual capital, profitability, panel data analysis, leather set up, leather artifacts, travelling products, and footwear sector in Brazil, Value Added Intellectual Coefficient (VAIC™).

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**3. AMERICAN PUT INDEX OPTIONS EARLY EXERCISE PREMIUM ESTIMATION**

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**ABSTRACT**

*This paper examines empirically the value of early exercise by testing the ability of two American put valuation models to predict the early exercise premium for the S&P 100 American put options. An accuracy test and a quality test are performed on (1) the MacMillan (1986) & Barone-Adesi and Whaley (1987) model, and (2) the Carr, Jarrow and Myneni (1992) model. The test results show that early exercise premium is significant regardless of moneyness. Moreover, consistent with the theory, the value of early exercise is significantly negatively related to moneyness and interest rates and significantly positively related to time to maturity and to the volatility of the underlying index. Both American put valuation models examined misprice the early exercise premium embedded in American put prices.*

**Keywords:** Exercise Premium; Moneyness; American Put Options; Quality Test; Accuracy Test

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#### 4. THE IMPACT OF ASIAN FINANCIAL CRISIS TO EARNINGS MANAGEMENT AND OPERATING PERFORMANCE IN MALAYSIA

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##### ABSTRACT

*This study is motivated by the emergence of different trend between cash from operations (CFO) and net income reported by companies. The objective of this study is to investigate the relationship between the operating performances of top 100 market firms listed on the Main Board of the Bursa Malaysia and the behaviour of net income after Asian financial crisis. Initially, the sample firms are divided into 10 portfolios based on relative cash from operations (CFO) rankings to test if there are systematic differences in CFO across portfolios. A correlation test and a sign-change ratio test are used to study if operating performances and net income are interrelated. The empirical evidence supports the predictions. It suggests that firms from various industries manage earnings, when operating performance is poor. The firms tend to choose income-increasing strategies, specifically, when the operating performance is extremely poor. In fact, some firms tend to take a big bath whereas some of the exceptionally well performing firms tend to select income-decreasing strategies.*

**Keywords:** earnings management, cash from operations (CFO), net income (NI)

#### 5. CORRELATION BETWEEN CAPITAL MARKET DEVELOPMENT AND ECONOMIC GROWTH IN THE CONTEXT OF FINANCIAL CRISIS IN ROMANIA

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##### ABSTRACT

*The Stock Exchange is a barometer for the real economy and it deals with businesses of various sizes and from different sectors of activity. When the market in which these businesses (real estate market, oil market, and labor market) operate has significant disturbances or corrections they are reflected in the profitability of listed companies and also within the price of financial assets (shares or bonds) that depend directly on the investors' expectations.*

*In this paper we also tried to find some long term statistic relationships between four macroeconomic indicators (the Romanian GDP, the RON/EUR exchange rate, the Harmonized Index of Consumer Prices as a proxy for inflation and the level of industrial production) and some indicators of the Romanian financial market by sectors (Market Capitalization, PBR and PER), in actual context of financial crisis.*

**Keywords:** financial crisis, capital market, Stock Exchange, financial performance, macroeconomic indicators

#### 6. NIGERIA'S MARKET CRISIS, FUNDAMENTALS AND STOCK PRICING: A REVIEW FOR AFRICA

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##### ABSTRACT

*Since the Dutch Tulip Mania of the 1630s, cycles of bubbles and bursts in stock markets have become commonplace across the world. However, what causes a particular market crash remains context-specific and in cases, the configuration of global and local forces leading to it can be quite intriguing with potential lessons for policymakers. Ahead of the rest of the world, the Nigerian capital market took a plunge downwards in March 2008 after more than four years of consistent super performance. As is the case in many other African countries, available explanations thus far are hardly supported by empirics. Consequently, specific drivers of the markets given the peculiarities of poor capitalization, weak underlying economic base and open capital accounts have hardly been identified and analyzed. Even less known are the roles of weakening global output growth and prices. In this study, we employ independent analyses of primary (logit analyses of survey responses of stakeholders in the industry) and time series data (using error-correction model incorporating macroeconomic fundamentals) to track determinants of stock valuation. The findings indicate disconnect between domestic macroeconomic fundamentals and stock pricing. We explore what this means for the rest of Africa.*

**Keywords:** stock pricing, market fundamentals, economic crisis

## 7. EFFECTS OF THE FINANCIAL CRISIS ON LEADERSHIP IN THE BANKING SECTOR

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### ABSTRACT

*This study investigates what are the effects of the economic crisis on the leadership style of bank managers in a transition country. Based on leadership theory and our analysis of the specificity of the banking sector in transition economies, we proposed that the leadership style of bank managers in a transition country will be different before and after the beginning of the world economic and financial crisis. A further question was posed: Does socio-cultural context directly affect leadership? Consistent with the culture-specific view of leadership, socio-cultural context proved to directly and dominantly influence the leadership style of managers in the banking sector of the targeted transition economy.*

**Keywords:** *Economic crisis, Banking Sector, Transformational Leadership, Transactional Leadership*

## 8. ADAPTIVE BANDS Z-TEST-STATISTICS (ABZ) ALGORITHM PROFESSIONAL TRADING SYSTEM: A STUDY ON FUTURES MARKETS

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### ABSTRACT

*Markets generally exist in 2 conditions: trending and ranging. A market can be considered to be trending if it moves steadily in one direction. A market can be considered to be ranging if it moves without direction, confined for an extended period between market support and market resistance. Different trading techniques are used to trade in different market conditions. Therefore, one of the most confusing things that confronts market technicians is the critical definition of when the market is trending and when the market is ranging. Applying a trending algorithm trading system to a ranging market will result in whipsaws (false entry signals) that yield losses. To avoid some of these false entry whipsaws, this study proposes to variate some simple technical analysis tools to suit the different market conditions. This paper attempts to variate lagging technical indicators like moving average and standard deviation (that perform better in trending market condition) to trade with less whipsaws in ranging market and yet capture the trend early. In a ranging market, a longer moving average and corresponding standard deviation are used to reduce whipsaws. In a trending market, a shorter moving average and corresponding standard deviation are used to gain early entry and exit. This paper presents a study of algorithm professional trading system using some futures contracts time series data to find high abnormal returns, in excess of the benchmark returns from the benchmark buy-and-hold policy. This algorithm trading system consists of technical trading rules that vary the moving average and standard deviation to profit from stock index futures and commodities futures time. The new algorithm trading system resulting from this research study, will be a new adaptive technical indicator called ABZ, Adaptive Bands Z-Test-Statistics. Using daily data, this research study investigates the profitability of ABZ and other algorithm trading systems on futures contracts during the period between January 2, 1996 and December 31, 2008. Test results for ABZ for 2008 indicate excess profits above the benchmark return from the buy-and-hold policy for all the contracts tested:*

- FKLI: +463 vs buy-and-hold return of -559,*
- Nikkei Futures: +1,625 vs buy-and-hold return of -5,940,*
- SiMSCI Futures: +75 vs buy-and-hold return of -203.2,*
- FCPO: +1,246 vs buy-and-hold return of -1,387 and*
- Soyoil: +30.6 vs buy-and-hold return of -16.49.*

*Findings from this research study can form the basis for investors and portfolio managers worldwide to develop effective algorithm professional model trading systems to generate returns in excess of the benchmark returns generated by the buy-and-hold policy.*

**Keywords:** *Algorithm professional trading system, professional model trading desk, systematic back testing, technical indicators, technical trading rules*

## 9. THE GLOBAL FINANCIAL CRISIS AND ITS IMPACT ON THE FINANCIAL SECTOR IN JORDAN: APPLIED STUDY ON FINANCIAL COMPANIES LISTED IN AMMAN STOCK EXCHANGE

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### ABSTRACT

*The study adopted a comprehensive survey of companies listed on the Amman Stock Exchange, in order to identify the most important effects of the global financial crisis on the financial sector in general, and its constituent sectors particularly in Jordan, Through the movement of the index for each sector of the financial sectors, the study found that Jordan like other countries in the world has been affected by the global financial crisis, but to a lesser extent due to the lack of modern financial instruments in the financial market such as derivatives. The study found also that the financial sectors in Jordan has recorded a sequential decline it was most severe in the diversified financial services sector, followed by the real estate sector and the banking sector varied, then the insurance sector, where it notes that the diversified financial services sector and real estate sector have been a sharp rise at the beginning of 2008 so they are the most affected at the time of the global financial crisis, as shown by the similarity of the study of vulnerability to a large extent. The study also found that the financial sector in Jordan in general affect the performance of the Amman Stock Exchange, which confirms the leadership of the financial sector in Jordan for the performance of the Amman Stock Exchange. Finally, the study provided a number of recommendations including the reduction of interest rates in general, to increase liquidity in the market, and the reduction of bank interest rate reasonable, especially on residential projects.*

**Keywords:** *Global Financial Crisis, Amman Stock Exchange, Financial Sector in Jordan, Banking Sector in Jordan, Insurance Sector in Jordan, Diversified financial services sector in Jordan, Real Estate Sector in Jordan.*

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## 10. EFFECT OF SYNDICATION ON PERFORMANCE OF VENTURE CAPITALISTS' PORTFOLIO FIRMS: THE SWEDISH CASE

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### ABSTRACT

*In this paper, we have analyzed the performance of 154 investments made by Swedish and international venture capital firms in Sweden. The purpose of this paper was to investigate whether the syndicated investments outperformed the non-syndicated investments in terms of growth and survival. The results show that the syndicated investments targeted different industries, primarily biotechnology and information and communications technology (ICT). The non-syndicated investments were to a larger extent made in mature firms in low-tech industries, such as traditional manufacturing and retail. Furthermore, the survival rate among the syndicated investments was significantly lower than the non-syndicated investments. This difference in survival rate is partly dependent upon the greater risk associated with investments in younger firms in rapidly growing industries. The managerial implication is that syndication is the means by which venture capital invests during the early stages of knowledge-based firms, thus making syndication between venture capitalists of primary concern for policy-making purposes.*

**Keywords:** *Venture capital, syndication, performance Sweden, portfolio firm*

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## 11. THE IMPACT OF AGEING POPULATION ON PAY-AS-YOU-GO PENSION SYSTEMS: THE CASE OF LUXEMBOURG

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### ABSTRACT

*The Luxembourg pension system is based on a pay-as-you-go (PAYG) scheme and hence on an inter-generational contract. As is the case for most other European countries, this system will be exposed to the effects of demographic ageing over the coming decades. The aim of this paper is to evaluate the impact of this demographic deficit on the long term sustainability of the Luxembourg pension system. We proceed in two steps. In a first step, we highlight the evolution of salaries in Luxembourg. To this end, we use the recent statistical group based trajectory model of D. Nagin (Nagin 2005). We estimate model parameters from a single database, provided by the general social security inspection office (IGSS) and containing annual salaries of all wage earners in the Luxembourg private sector. As a result we divide up the population into nine groups, each with its own mean salary trajectory in time and its relative weight in society. In a second step, we evaluate the pension system by means of a new criterion. This is the sustainability coefficient, which we define as the average amount (in euros) that the labor force has to earn to fund one euro of pension payments, based on current legislation. Our estimations show the high sensitivity of the coefficient to demographic variables and highlight the risks threatening the Luxembourg pay-as-you-go system. To carry out these estimations, we develop a theoretical model consistent with our statistical analysis. This model allows for the determination of both the initial level and the evolution of the pensions for each of the groups identified in the first step of our work. Knowing the weight of each of the groups within the Luxembourg population, we are then able to evaluate the sustainability coefficient of the system. This corresponds to comparing the sum of all incomes of the labour force to that of all the pensions paid to pensioners at a given date while taking into account the growth rate of the population in time. Finally, we interpret our results in the light of other sustainability criteria, such as the rate of contributions which ensures long-term stability of the pension level under the current legislation or the pension level that current contributions are able to finance in the long run.*

**Keywords:** Pension systems, Pay-as-you-go, Semiparametric mixture model, Salary trajectories

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## 12. MODELLING CREDIT RISK: A COMPARISON OF AUSTRALIA AND THE USA

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### ABSTRACT

*The current global financial crisis has highlighted the importance of understanding financial stability especially in the context of managing credit risk, in the banking sector. The key motivation for this paper is to improve our knowledge of credit risk modelling at the country level especially under the framework of Basel-II capital adequacy standards. The aim of the study is to investigate the interaction between the cyclical implications of aggregate defaults in an economy and the capital stock of a bank. The approach used requires the construction of a macroeconomic credit model that provides the framework to perform scenario analysis. Within this framework, our study forms the basis of a comparative analysis of two countries, a relatively immune economy from the recent crisis - Australia and the worst effected economy – the USA. The key questions posed in the study are which macro-economic variables are important for both countries in determining default risk; in addition, we examine the impact of adverse macroeconomic shocks on default rates in both countries. The study finds that compared to Australia, the US economy is much more susceptible to adverse macroeconomic shocks; employing data for key macro economic variables from 1995Q1 to 2009Q2 for both countries the results indicate that the same set of macro-economic variables indicates different default rates for the two countries.*

**Keywords:** Financial stability, Credit Risk, Basel-II

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### 13. EFFECTS OF MONETARY POLICY ON OUTPUT: EVIDENCE OF ASYMMETRIC ADJUSTMENT IN THE LONG RUN IN SOME EUROPEAN COUNTRIES USING A COINTEGRATION ANALYSIS

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#### ABSTRACT

*Using a set of cointegration and error correction models with Threshold Autoregressive (TAR) or Momentum Threshold Autoregressive (MTAR) asymmetric adjustment, we investigate the effects of monetary policy on output in France, Germany, Italy and the United Kingdom are asymmetric or not. Forty years of quarterly series on output, money supply, price of oil and interest rate for France, Germany, Italy and the United Kingdom obtained from the International Monetary Fund's International Financial Statistics CD-ROM were used for the different tests. Empirical results show that the effects of monetary policy on output are asymmetric in all countries. Furthermore, the impulse response functions indicate that the results are consistent with a dynamic asymmetry in the behavior of money supply movements in all countries.*

**Keywords:** Cointegration, Asymmetric adjustment, monetary policy, Threshold Autoregressive model, Momentum Threshold Autoregressive model

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