ABSTRACTS

1. THE DETERMINANTS OF CORPORATE BORROWING IN THE ARAB WORLD

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ABSTRACT

This paper is set to find the determinants of capital structure in the Arab world. Due to specific regional factors, the paper finds mixed results on the directions, magnitudes and level of significance of a variety of theory-suggested and empirical control variables. Countries are divided into tax countries and non-tax countries (Gulf States), the first has a western capitalist like patterns while the later has no such clear determinants of capital structure, they however, show that the determinants of debt are those required for bank loans (sales, tangible assets and the likes). These results are consistent with the general findings in developing countries and partially with those in developed countries. Specifically, the results support the tax models of capital structure theory, while agency models are not supported and the country of origin is a significant determinant of capital structure. Further research is needed to further scrutinize the country specific factors effects on the theory suggested models of capital structure.

Keywords: *Financing, determinants, capital structure, developing, Islamic Banking*

2. CONDITIONAL PERFORMANCE EVALUATION: EVIDENCE FROM UK UNIT TRUSTS

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ABSTRACT

This paper uses the conditional performance evaluation methods proposed by Ferson and Schadt (1996) to study the stock selection and market timing performance of the UK unit trusts that invest mainly in the UK assets. We find that controlling for some public information makes the performance of these unit trusts look better: less negative average performance, and more positive timing ability. Our results confirm that conditional performance measures are more informative than unconditional measures. We suggest that further research on developing more sophisticated conditional performance models can help improve the current practice of investment performance evaluation.

Keywords*: Unit Trust, Conditional Performance Evaluation*

3. SELF-SELECTION BIAS AND FINANCING COSTS-A UNIFIED ANALYSIS ON FINANCING CHOICES AND OFFERING COSTS

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ABSTRACT

Using analyst coverage to measure information asymmetry and controlling for factors such as access to capital markets, growth opportunities, tax payments, risks and issue size, we find evidence that self-selection bias exists when firms make security issue decisions. Given the existence of self-selection bias,

we find that firms would have had higher total offering costs (direct and indirect) if they had offered the alternative security type. The results indicate that firms rationally choose the security type that is less expensive when they seek external financing.

Keywords: *analyst coverage, information asymmetry, security offerings, self-selection bias, offerings costs, equity, debt*

4. EXPORT, ECONOMIC INTEGRATION AND EXCHANGE RATE VOLATILITY IN TURKEY AND MALAYSIA

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ABSTRACT

Using annual data (1970-2004), this study re-examined the hypothesis that exchange rate volatility may dampen export demand in Malaysia and Turkey. In particular, this study attempts to investigate the impact of exchange rate volatility on exports after taking into consideration the presence of regional economic integration. In addition, the role of regional economic integration in promoting export is also of concern to this study. The empirical evidence demonstrates that despite the significant, minimal impact of membership to regional economic integration for both economies, regional integration remains an important and valid approach for future economic development for both economies. Meanwhile, similar to the findings of previous studies the impact of exchange rate volatility on exports is consistently negative. However, it is no longer significant in the case of Turkey.

Keywords: *Export; Exchange rate volatility; Economic integration*

5. FINANCIAL STATEMENT EFFECTS OF ADOPTING IFRS IN TURKEY: THE MEDIATING EFFECT OF INFLATION ACCOUNTING

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ABSTRACT

This study firstly analyzes the impact of first time mandatory IFRS adoption in Turkey. Secondly, it investigates the impact of inflation accounting in closing the gap between reported numbers according to Turkish GAAP and IFRS by measuring the impact of transition on mandatory and voluntary adopters separately. Key financial indicators of performance, liquidity and capital structure are compared by Weetman et al's (1998) index of comparability. Contradicting results between mandatory and voluntary adopters support the view that mandatory adopter firms were not significantly affected from IFRS transition. The difference can be explained by inflation accounting application in 2004, just prior to mandatory IFRS adoption in Turkey. Results indicate that inflation accounting application produced numbers similar to those reported under IFRS. This points to the necessity of inflation accounting in hyperinflationary economies regardless of IFRS transition.

Keywords: *IFRS adoption, comparability index, Turkey, inflation accounting*

6. MACROECONOMIC ADJUSTMENT AND EXCHANGE RATE REGIMES IN SELECTED CARIBBEAN COUNTRIES

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ABSTRACT

This research has been motivated by the disparity in the economic performance of the Eastern Caribbean Currency Union (ECCU) compared to the non-ECCU members of the Caribbean Community (CARICOM). Specifically, this paper examines the process of macroeconomic adjustment in fifteen Caribbean countries, paying special attention to the different exchange rate regimes. Using the Blanchard and Quah decomposition methodology, the principal finding is that the currency board arrangement, along with a pegged exchange rate, increases the ability of the ECCU countries to absorb supply shocks while reducing the volatility of aggregate demand shocks. Additionally, the adjustment to supply shocks occurred at a faster pace in the countries with fixed exchange rates and with membership in the monetary union. With these results, we suspect that the divergent exchange rate regimes partly explain the disparity in economic performance in the CARICOM. This implies that the monetary union and fixed exchange rate mix is a useful strategy to mitigate against the effects of adverse aggregate demand shocks as it facilitates a quicker adjustment to these shocks.

Keywords: *Demand Shocks, Supply Shocks, Macroeconomic Adjustment, Eastern Caribbean Currency Union, Caribbean Community, Currency Boards, Fixed Exchange Rate Regimes*

7. NON-LINEAR DYNAMICS IN MONEY DEMAND: EVIDENCE FROM KOREA

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ABSTRACT

Finding a stable long-run money demand function is essential for successful monetary policies. In part because of the prevalence of linear methods, much of the existing literature on money demand fails to find support for a stable long-run money demand function. This paper employs a smooth transition regression (STR) model on money demand data for Korea. Results favor a non-linear error correction specification over the linear model. The nonlinear model reveals that money demand is a nonlinear function of the economy's growth rate and provides evidence to support its stability. Findings emphasize the importance of any nonlinear short-run dynamics for policy purposes, especially in times of increased volatility, as would be expected in a financial or currency crisis.

Keywords: *Money demand, currency substitution, output growth, smooth transition regression, Korea*

8. ENERGY FUTURES AS PREDICTORS OF CHANGES IN EXCHANGE RATES

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ABSTRACT

In this study we examine the relationship between changes in the prices for energy futures and the exchange rates of the currencies of the nations that export energy commodities, when these energy commodities are a major export of their respective economies. Statistically significant relationships are found. Where this linkage is established, observation of the prices of selected energy futures may help investors anticipate exchange rate movements and assist in the management of exchange rate risk.

9. EVAL UATING THE IMPACT OF MONETARY POLICY ON THE YIELD CURVE: THE CASE OF BRAZIL

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ABSTRACT

This study aims to describe the impact of monetary policy on the term structure of interest rates in different episodes of monetary policy tightening in the Brazilian economy. It uses as a methodological basis the contribution of Kozicki and Sellon (Kozicki and Sellon,2005), who investigate the yield curve responses of monetary policy tightening over some decades in the United States. Specifically, it attempts to elucidate the uncommon result of a long-term interest rate fall to an increase in rates between 2004 and 2005, known as a conundrum. For this purpose, a comparison is made with another period of monetary tightening that has not presented such an effect, that is, the episode of monetary contraction between 2002 and 2003. The analysis aims at identifying what has in fact motivated such a fall in interest rates: a variation in the expected inflation, a variation in the expected real interest rates or other sources of alteration of the perceived risk by economic agents. The results show that, in all the events of policy tightening, increasing interest rates implied a fall in the risk premium. Concerning the analysis of the determinant factors of the term rates, the almost-total importance of the risk premium to explain the variations in the term rates in Brazil was clear. Real neutral interest rates present a secondary contribution.

10. PREDICTING THE MEAN AND VOLATILITY OF THE VALUE PREMIUM

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ABSTRACT

Whether Fama and French's High Minus Low (HML) portfolio is a risk factor or a behavioral anomaly, theory would suggest dispersion of book-to-market, which is a measure of how deep value is relative to growth, may be useful in predicting both the future returns of HML as well as the future volatility of HML's return. We find that higher dispersion predicts higher HML return and high HML returns predict future

lower HML returns and vice versa. In addition, we find higher dispersion predicts higher volatility of HML returns. Lastly, we find that the Sharpe Ratio of HML can be predicted over long time horizons using past historical HML volatility and return.

Keywords: *Finance, Investments, Stock Return Predictability*

11. BEHAVIOUR OF INDIAN STOCK MARKET-EVIDENCE AND EXPLANATION

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ABSTRACT

This study investigates the relationship between FII investments and the Indian stock market performance during November 2003 and January 2007 by using forecasting ARIMA model. The study shows that past FII investment have significant impacts on current BSE Sensex & NSE Index; but there is no significant impact of current FII investment on current BSE Sensex & NSE Index. An important implication of these findings is that the FII investments in India deserve a well- calibrated policy response while the daily movement of stock market in India should be better explained by other factors than FIIs.

Keywords: *BSE Sensex, NSE Index, FII Investment, ARIMA Model*

12. THE ORIGINS AND DEVELOPMENT OF EMERGING MARKET DERIVATIVES

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ABSTRACT

This paper analyzes the origins and development of derivatives market with respect to the Emerging Markets. It starts with an overview of the major derivatives, and then examines those synthetic instruments used particularly in emerging markets, and their significant growth over time. The origins and developments of several unique derivatives, such as catastrophe derivatives, is laid out in detail as also the various distinct phases in the development of emerging markets for these derivative products is discussed. The original and continuing regulation of these markets and instruments is also discussed before concluding with the current situation and developments, in this unique, but very interesting area.

Keywords: *Emerging Markets; Volatility; Catastrophe Futures; Net Revenue Hedge; Strategic Derivatives; Futures, Options, Swaps; Derivatives Markets; Regulation*

13. EVIDENCE OF STOCK MARKET REALIGNMENT IN BRAZIL, FRANCE AND THE UNITED STATES

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ABSTRACT

This article discusses the adherence of stock markets from France, United States, and Brazil, before and after the crisis triggered by subprime. Econometric evidence of a change in the adherence between these markets, suggests a greater rapprochement between the movements of France and Brazil. It was not investigated if such adherence of capital markets is in any way reflected in the volume of trade between the two countries. The work is structured in: introduction; theoretical framework; relevant methodology, analysis and discussion of results; and closing remarks. The results suggest that the subprime crisis has changed the adherence relationships among the stock markets of France, the United States, and Brazil.

Keywords: France, United States, Brazil, Stock Markets, Subprime Crisis

14. AGGLOMERATION ECONOMIES AND THE PRODUCTIVITY ADVANTAGES ASSOCIATED WITH SMSAS

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ABSTRACT

Agglomeration economies is the term used by urban/regional economists to refer to the advantages of spatial concentration that accrue to a firm.   Two particular types of agglomeration economies, urbanization and localization, may be especially important in explaining the decentralization of manufacturing.   Urbanization economies are those economies that are external to the firm and to the industry, but are internal to the city. They arise as the scale of economic activity in a city expands, thereby giving firms access to large pools of skilled labor, entrepreneurial talent, wholesalers of specialized items, enhanced infrastructure, and specialized business services.   Localization economies, on the other hand, are economies that are external to the firm, but internal to the industry. Such economies arise as the size of an industry, as measured by output or the number of establishments, increases in some given area.
The purpose of this paper is examine changes in both the localization and urbanization economies of large urban areas throughout the United States in order to determine if such changes contributed in any significant way to the decentralization of manufacturing across the U.S.Numerous studies have investigated this question in the United States. Most of these studies use a production function framework in which agglomeration economies are assumed to influence productivity through their impact on technological change. Instead of this approach, we use a stochastic production function to first estimate technical efficiency. The impact of agglomeration economies on technical efficiency is then examined.

Keywords: agglomeration economies, productivity