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MARKET EFFICIENCY IN A SMALL INDUSTRIALIZED COUNTRY: THE CASE OF DENMARK

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This article examines the informational efficiency of the Copenhagen Stock Exchange (CSE) in Denmark. Following Fama's(1970) three levels of market efficiency, efficiency tests are applied to the CSE daily stock return data from January 1985 to March 1994. Besides the traditional random walk and filter rule tests, a more recent methodology of expected utility test is applied to test the weak form efficiency. In testing semi-strong form efficiency, the focus is on how fast new information is incorporated in security prices. Finally, the strong form test investigates if security analysts in Denmark possess private information that may lead to excess profits. The results do not suggest that the CSE is any less efficient than the larger stock markets in the world.

STOCK PRICE RESPONSES TO CHANGES IN GOVERNMENT BUDGET DEFICITS: EVIDENCE FROM MAJOR WORLD MARKETS

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In this study, we investigate the relationship between budget deficits and stock prices in France, Germany, Japan, and the U.S. from 1974 through 1995. The evidence from impulse response analysis and Granger causality tests shows that, in the short-run, only in the U.S. do deficit reductions have a positive effect on equity returns. However, in the long-run, tests show that equity prices in all markets are cointegrated with government budget deficits. Therefore, in the long-run, government deficits play an important role in the stability of equity markets and thus, influence the ability of firms to raise capital.

APPRAISING INVESTMENTS IN COMMON SHARES: THE CASE OF MALAYSIA

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This paper is an attempt to provide some insight into the methods used by investment analysts in brokerage firms in the emerging capital market of Malaysia to appraise the value of ordinary shares before advising their clients. A postal questionnaire survey was conducted in 1996 to obtain the relevant research information from investment analysts representing all 58 brokerage houses in Malaysia. The empirical results indicate that although the principal technique used by Malaysian investment analysts is fundamental analysis (supplemented by technical analysis), a vast majority still practice the "gut feeling" technique and only provide brokerage services to their clients without employing analysts to conduct an analysis of the relevant information. For future research, the question of how the analysts' recommendations regarding a particular share are arrived at must be addressed.

THE LIQUIDITY OF NYSE-LISTED FOREIGN STOCKS: FACTORS AFFECTING THE BID-ASK SPREAD

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This study compares the relative spread for dual listed foreign stocks trading on the New York Stock Exchange with domestic stocks of comparable volatility. Consistent with extant literature, it is shown that the spread is positively related to total risk and negatively related to stock price and mean daily volume. The evidence for foreign stocks, in particular, suggests that investors pay no more for transacting in foreign equities than they do for trading domestic shares. In fact, specialists may actually be aggressively competing for this market segment by reducing the spread they assess foreign transactions. This result is consistent with quasi-monopolist specialists providing their services in an integrated and extremely competitive marketplace. While I find no evidence that specialists increase the spread to compensate for asymmetric information, I do find a positive adjustment to compensate for a thinner market in foreign stocks.

A TEST OF SIMULTANEOUS EFFICIENT AND INEFFICIENT MARKETS: AN APPLICATION OF THE MODIFIED R/S MODEL WITH INTRADAY STOCK RETURNS

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This paper presents a very interesting result: through applying the modified R/S technique (statistically robust) recently developed by Lo (1991) and using fifteen-minute interval data, it is found that both NYSE and NASDAQ stock returns exhibit the phenomenon of long term memory during different time intervals. Hence, an abnormal profit is quite possible for certain time intervals during a trading day.

FOREIGN DIRECT INVESTMENT IN CANADA

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We examine the importance of various economic and social factors on the flow of foreign direct investment (FDI) into Canada between 1980 and 1994. We find that international trade, home country GDP and cultural distance are significant factors that influence the FDI flow into Canada. The per capita GDP, relative cost of funds, rate of return, exchange rates, geographic distance and the implementation of the free trade agreement show no significant impact on the flow of FDI into Canada. The regressions have much more explanatory power when the United States FDI is included in the sample.

FRENCH DIRECT INVESTMENT IN AUSTRALIA: AN APPLICATION OF DUNNING'S ECLECTIC PARADIGM

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This study has its foundation in Dunning's 'eclectic paradigm' which states that multinationals face a set of three interrelated determinants. These are Ownership-specific advantages, Internalisation-specific advantages and Location-specific advantages (OLI hereafter).

This theory is applied to the case of French multinational activity in Australia. An examination of the motives underlying such investments is also included. Results indicate that to a certain extent ownership advantages of French enterprises, their internalisation incentives and the locational advantages of Australia provide valid explanations for the existence of French direct investment in Australia. However, each determinant on its own is a necessary condition for direct investment to occur, but not a sufficient one.

The majority of French multinationals surveyed seem to be market-seeking *investors, possessing ownership advantages in the form of* high quality products or services, marketing and managerial skills *as well as* superior technology. *The Australian market is of interest to French enterprises as it is strategically located in a region characterised by strong economic growth. But it is the great distance which separates Australia and France, and the need to ensure that the ownership advantages (quality and technology) are preserved which encourage French multinationals to invest in Australia rather than to export, license or franchise.*