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THE COMPARATIVE STATICS OF YIELD SPREAD AND EXCHANGE RATES

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This paper investigates how changes in the U.S. yield spread influence the direction of exchange rates. Additionally, it determines whether possibilities for abnormal gains exist in the international monetary market around periods of monetary policy pronouncements by the Federal Reserve Board of the United States. The latter inquiry is pursued only when a secular relationship is seen to exist between the term structure of interest rates and exchange rates. Yield spread is the difference between long bond yield and money market yield. Empirical evidence shows that the British pound sterling maintains a secular relationship with yield spread. This relationship however, is not sufficient to provide opportunities for consistent abnormal returns to speculative investors wishing to capitalize from exchange rate aberrations.

AN ESTIMATION OF EARLY EXERCISE PREMIUM FOR AMERICAN PUT OPTIONS

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This study empirically examines the value of early exercise and tests an American put valuation model's ability to predict the value of early exercise for American put options. This study performs three tests of the MacMillan (1986) and Barone-Adesi and Whaley (1987) American put valuation model: an accuracy test, a quality test, and a validity test. The results suggest that: (1) Early exercise premia for out-of-the-money put options were significant. (2) Consistent with theoretical predictions, the value of early exercise is significantly positively related to stock return volatility, interest rates, time to maturity, and the degree to which an option is in-the-money. (3) The American put valuation model does not fully capture the value of early exercise embedded in American put prices. (4) A large proportion of put prices predicted by the model lie outside American put-call parity bounds even after filtering the sample based on no-arbitrage conditions.

THE IMPACT OF INFORMATION ASYMMETRY ON THE NEW EQUITY ISSUE TIMING

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Undervaluation of the firm coupled with the information asymmetry between the issuing firm's management and market investors might be the reasons why new equity issues, on average, are preceded by a large and extended abnormal price rise in the market. If a firm is undervalued (i.e. the intrinsic value of the firm is above its market value) and new equities are needed to finance a new project, the current equity holders would lose a portion of the originally undervalued part after the gap between the market value and the intrinsic value is eliminated. To avoid this disadvantageous information asymmetry, issuing firm's management is motivated to release inside information to bid up the firm's stock price so that new equity issue will be more beneficial to the issuing firm.

THE IMPACT OF OVERSEAS OPERATIONS ON THE U.S. MARKET RISK OF MULTINATIONAL COMPANIES

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The study examines the impact of a multinational firm's foreign operations on its systematic equity risk (beta). Beta is computed for a sample of multinational firms using the market model regression and is then regressed on the firm's foreign sales characteristics. The results indicate that a firm's foreign operations positively relate to its systematic equity risk in terms of both total and regional foreign sales. This is contrary to international portfolio diversification theories, which state that investing in multinational firms reduce an investor's exposure to movements in the U.S. market. This paper demonstrates that investors do not view multinational firms as vehicles for international diversification.

A CAUSAL INVESTIGATION OF RELATIONAL NORMS AND CHANNEL MEMBER SUPPORT ACTIVITIES IN THE INDIAN MARKET

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Using three of Macneil's relational norms within the context of Indian buyer-seller relationships, this study empirically examines the effect of relational norms on channel member support activities undertaken by manufacturers. The results of path analyses suggest that solidarity, the preservation of a trusting, ongoing relationship, may be an important determinant of marketing-related support activities provided to channel members. On the other hand, role integrity, which captures the complexity aspect of relational norms, and mutuality, which is the preclusion of regular monitoring, have insignificant effects on channel member support activities.

THE INCENTIVE ROLE OF GOVERNMENT EXPORT ASSISTANCE PROGRAMS IN FOREIGN MARKETS UNDER ENTRY COMPETITION: A GAME-THEORY ANALYSIS

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Initial entry into new export market is often time-consuming and costly. This is particularly so in emerging markets where foreign products are less known. While leading companies may gain substantial initial market share, followers often enjoy lower market entry costs, particularly when the learning experience and market-acceptance gained by the first mover spills over to followers. Such high first-mover cost, relative to the lower follower cost, may lead to an incentive to free-ride and disincentive for first-entry. A game-theoretical model is used to analyze international market entry under follower competition. The competitive environment analyzed in this paper provides a rational foundation for national government to offer export assistance. Government assistance can counteract on the disincentive caused by potential free-riding followers. The differential effects between targeted export assistance and general export assistance are illustrated. Optimal government assistance is suggested.

THE DEPENDENCE OF MARKET RETURN VOLATILITY ON TRADING VOLUME IN KOREA AND THAILAND

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The objective of this paper is to examine if the heteroskedasticity in stock market return data can be explained by incorporating trading volume as a mixing variable in the conditional variance equation. This study relies on daily returns and volumes of two developing markets in Asia, namely, the Korean Stock Exchange and the Stock Exchange of Thailand over the 9-year tumultuous period of 1990-1998. The results strongly suggest that the GARCH model adequately describes the two index return series in the absence of volume as a mixing variable. However, the introduction of volume does not succeed in eliminating or for that matter significantly reducing the ARCH and GARCH effects.

IS THE U.S. SECONDARY MORTGAGE MARKET SEGMENTED FROM OTHER FINANCIAL MARKETS?

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This paper models the relationship between a variety of costs of funds variables and three key secondary mortgage market rates in the U.S. from 1980 through 1996. The attempt is to investigate the extent to which the mortgage market is linked to other financial markets and also find out if the gyrations in mortgage rates that followed deregulation can be explained by changes in costs of funds. The cointegration of these variables is explored within the vector autoregressive (VAR) system. The results of Johansen cointegration test indicate an existence of four cointegrating equations in the partially nonstationary system. Therefore, there are some long-run equilibrium relationships in the time series. These results have implications on the efficiency of these markets and consequently on portfolio diversification opportunities for investors.