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INTERNATIONAL BANKS' PERFORMANCE: A FIVE-COUNTRY COMPARISON

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This paper analyzes the competition among the world's largest banks during the past decade. It demonstrates the reasons why US-based banks have outperformed their British, German, Swiss, and Japanese rivals in terms of profitability and other performance measures. Three of the largest banks from each country are included in the data set, and a regression model shows that significant contributions to individual bank performance derive from positive factors such as greater efficiency, higher non-interest earnings, and higher home-country GDP growth, plus negative factors such as greater loan loss provisions, higher Tier 1 capital ratio, and larger bank size. The strategic direction and other key factors about each bank are discussed along with the statistical analysis.

IMPACT OF THE EURO ON EUROPEAN PORTFOLIO DIVERSIFICATION

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The inception of the euro has led to more transparent pricing of products and valuations of firms. We find evidence that the inception of a single European market has increased the correlations among country stock markets. While it is generally known that stock return correlations among European countries increased as European barriers were reduced during the late 1980s and early 1990s, this study offers a more recent update in light of changes instigated by the inception of the euro. Our results have relevant implications for portfolio managers who use the popular top-down investment approach in Europe in which the country is selected before the industry and company. The top-down approach offers limited diversification benefits, since markets are now more highly integrated as a result of the euro.

THE IMPACT OF TOP MANAGEMENT TEAM CHARACTERISTICS ON CORPORATE REFOCUSING IN U.S. FIRMS

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Refocusing was one of the major strategies pursued by large U.S. organizations in the late 1980s and early 1990s. Our study extends the studies of previous research in the upper echelons field by examining the relationship between top management team (TMT) traits and corporate refocusing. Our results reveal that higher average age is positively related to two measures of refocusing, namely, downsizing and change in core business. Organizational tenure is negatively related to change in core business, and mean educational level is positively related to change in core business. There was no relationship between these demographic traits and productivity, the third measure of refocusing.

PRICE-EARNING (P/E) RATIOS OF BROAD CATEGORIES OF U.S. STOCKS AND 3-MONTH T-BILL RATE: EVIDENCE FROM COINTEGRATION ANALYSES

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This paper explores the dynamic relationships between P/E ratios and three-month T-bill rates for broad categories of U.S. stocks within the cointegration framework by employing quarterly data from 1953.I to 1998.IV.

The ADF unit root test results show that P/E ratios, stock prices and earnings as well as 3-month T-bill rates are nonstationary in levels both with and without trends at 5 percent level of significance. The ADF test results for cointegration reveal that only the P/E ratios of transportation stocks and 3-month T-bill rates have no long-run equilibrium relationship at 1 percent and higher levels of significance. The evidence from the error-correction models is mixed with regard to the directions of causality between P/E ratios and broad categories of stock prices.

THE EFFECT OF AUDITOR CHOICE ON THE EARNINGS-TO –RETURNS RELATIONSHIP: THE CASE OF MALAYSIA

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The literature on the relationship between share price and earnings of firms has questioned whether the nature of adjustment of prices to earnings information is homogeneous. This paper attempts to address the issue of choice of auditors by Malaysian listed firms and its effects on the credibility of the earnings generated, by analyzing the impact of the switch on the Earnings Response Coefficients (ERCs). The widely accepted perception that auditor quality is correlated with auditor size is not supported for the long window test in this study. However, in the short window test, the investors view the earnings generated by listed firms engaging the services of non-Big 5 audit firms as underestimated. The investors reward higher abnormal returns for the unexpected earnings disclosed around the earnings announcement dates for non-Big 5 clients than Big 5 clients. Finally, the findings of this study not only substantiate the findings on similar research from developed markets but also document the extension of the findings in the context of an emerging market.

SEASONALITY IN STOCK RETURNS: AN EMPIRICAL STUDY OF THAILAND

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This study empirically examined various statistical characteristics of the equity market in Thailand with special emphasis on examining seasonality in stock returns. It utilizes monthly time series data on the SET stock price index from 1975 to 1998. The results indicate that stock returns were higher, on average, in January compared to other months of the year, and that the returns were found to deviate from the normal distribution. The regression results and the Chow test support the hypotheses of (1) seasonality in stock returns, especially since the post-1984 period when the Thai equity market was opened up for foreign investment, and (2) the 'tax-loss selling'. The market appears to be not random, and given the presence of seasonality, the investors may improve their returns by "timing" the market.

DYNAMIC RELATIONSHIP BETWEEN EQUITY PRICES AND MACROECONOMIC CONDITIONS: EVIDENCE FROM EMERGING MARKETS

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In this paper we consider two emerging equity markets of Chile and Mexico. The purpose is to examine the responses of equity prices to macroeconomic shocks and policy changes. Employing cointegration test and impulse response analysis, the degree of weak form efficiency in these markets is also examined. Our findings indicate that although equity markets of Mexico and Chile are becoming increasingly more efficient in incorporating the past information, they do not reflect shocks to macroeconomic conditions rapidly. Empirical findings also show that the equity market of Chile has achieved higher degree of efficiency than the equity market of Mexico. These findings have implications for individual and institutional investors in the U.S. and domestic policy makers of these markets.