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SEGMENTATION IN AN EMERGING MARKET: INVESTOR RESPONSE TO MEXICAN STOCKS DUALY- TRADED IN THE U.S.

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In recent years capital markets have become less segmented as political and legal barriers that impede flows of financial capital have eased. As a result, many foreign corporations have chosen to offer their equity for sale in the United States. We examine the returns, risk, volatility and liquidity effects realized by domestic investors for a sample of American depository receipt programs established by Mexican companies.

THE ASIAN CRISIS AND MARKET EFFICIENCY: A DIFFERENT PERSPECTIVE

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This paper investigates the effects of the 1997 Asian financial market crisis on the efficiency of foreign exchange markets for the Indonesian rupiah, Philippine peso, Malaysian ringgit, Thai baht, and Korean won. Based on a crisis and a non-crisis period, indications of inefficiency are found via one cointegrating vector during the crisis period, but minimal evidence of inefficiency is found during the non-crisis period. Additional efficiency tests, however, reveal that random walk tests dominate error correction models in predictive ability during the crisis period. Thus evidence of inefficiency is diminished and inefficiencies in foreign exchange markets do not appear to be a significant problem during either periods of relative calm or periods of extreme volatility.

DOES GROWTH CAUSE INFLATION IN EAST ASIA?: EMPIRICAL EVIDENCE FROM SIX COUNTRIES, 1975-99

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The causative chain between growth and inflation has been rigorously postulated and analyzed in several disparate theories. Nevertheless, evidence to support it has been mixed. This paper endeavors empirically to shed more light on this relationship by testing it with pooled data during a 25-year period on six East Asian countries, an area known for its astoundingly rapid economic growth and industrialization. By the Granger-causality test, growth was found to cause inflation for Thailand and Indonesia while the same cannot be said of Korea, Malaysia, Singapore, and the Philippines. As to the reverse causation between inflation and growth, only Indonesia exhibits the phenomenon, indicating how inflation influences capital accumulation (both physical and human). However, when panel data are used in various estimating models (OLS, GLS, SUR), growth is found to cause inflation in these countries while the reverse is seriously in doubt.

EQUITY OWNERSHIP PATTERNS AND IMPACT ON OPERATIONS: EVIDENCE FROM U.S. FIRMS IN CHINA

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This study examines how variations in equity ownership among U.S. firms in China translate into actual organizational practices and experiences. Four levels of equity ownership--minority, equal, majority, and wholly foreign owned--are tested against three sets of variables--finance, government relations, and human resource management. There is no clear-cut advantage for one level of equity ownership over another. On some issues, wholly owned firms appear to enjoy certain freedoms and advantages while on other issues, there are benefits to being a minority or equal partner, or a majority owner in a joint venture. Majority and wholly owned ventures are able to introduce distinct human resource practices in their Chinese operations but are less likely to develop good relationships with the Chinese government and bureaucracy. Joint ventures are more likely to exhibit patterns typical of Chinese enterprises and less able to resist meddling by government authorities. Consequently, firms contemplating entry into China would have to examine their own unique circumstances and industry specific factors to determine whether they should form a minority, equal, majority or wholly owned enterprise.

EXCHANGE-TRADED FUNDS: BAD NEWS, GOOD NEWS, OR NO NEWS FOR CLOSED-END FUNDS?

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Past findings on World Equity Benchmark Shares (WEBS) and their impact on closed-end funds (CEFs) cannot necessarily be generalized for different types of exchange-traded funds (ETFs). This study uses five different event dates in order to examine whether the listing of ETFs has both an immediate and a long-run impact on the market prices of similar-type CEFs. It finds that in contrast to prior expectations, the date of the listing of ETFs is not associated with a negative and statistically significant stock price reaction. Most of the negative price reaction is concentrated on the next trading day and appears to be very short-lived. The CARs surrounding the listing date and over the next 10 trading dates appear quite volatile with a slight upward drift, while CARs for CEFs over the period of one year are 16.49 percent statistically significant at the 1 percent level. Overall, these findings seem to suggest that investors regard ETFs as a viable investment vehicle but not necessarily an investment alternative to CEFs. Subsequently, past findings based strictly on WEBS cannot be generalized for different types of ETFs.

MINIMIZING ERROR COSTS IN DISCRETE PREDICTION MODELS

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Cutoff point determination is one of the major problems in the binary prediction studies. In most of the previous studies, the cutoff point was selected to minimize the total number of errors. Because of the different misclassification costs of default errors and non-default errors, the decision rules obtained in these studies might not be the most advantageous. This paper presents a more generally applicable procedure to determine the optimal cutoff point to minimize the total error cost by Bayes rules. Normal and beta distributions are considered in details. This procedure can be used in all discrete prediction models, such as discriminant analysis, logistic analysis and neural networks. The procedure is illustrated with the example of sovereign debt service capacity prediction.

INTERNATIONAL JOB OPPORTUNITIES: ARE MANAGERS WILLING AND READY FOR THE CHALLENGE?

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Do managers want international assignments? We surveyed 235 MBA students from four universities to determine individuals' readiness and willingness for international assignments and factors that influence an individual's decision to accept or reject a location for an international assignment. We found that although individuals do want international assignments, they are concerned about the impact such assignments may have on their non-work lives. Implications for practice are discussed.