GLOBAL BUSINESS & FINANCE REVIEW

FALL 2003

VOLUME 8, NO 2

AN INQUIRY ON THE SECULAR TRENDS IN THE DOLLAR-EURO EXCHANGE RATE, CRUDE OIL PRICING, AND MARKET VALUES

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This study examines secular trends in the pricing of the euro and the prospects of the new European currency to compete with the U.S. dollar in denominating international assets. The global importance of crude oil as the world's largest cash commodity provides a basis to evaluate the short- and long-run dynamics of the value of the euro vis-à-vis crude oil price as well as stock market and interest rate variables. Variance decompositions show that innovations in oil price and U.S. interest rates explain most of the intertemporal variations of the euro. Conversely, the contribution of the euro to oil price volatility is marginal especially after European stock market effects have been accounted. Notwithstanding, a long-run positive trend seems to exist between oil price and euro as evidenced by their impulse response functions.

EMERGING MARKETS: WHERE IS THE BENEFIT OF DIVERSIFICATION?

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A number of studies provide evidence that diversifying into emerging equity markets provides benefits to portfolio investors. Our findings, however, document that such benefits are not present for all emerging markets across time. We show that adding emerging market equities to the reference U.S. portfolio in one subperiod slightly improves the portfolio performance, but it worsens it in other subperiods. This study suggests that different time frames are likely to yield different outcome when diversifying into emerging markets.

OUTSIDE DIRECTOR TRADING BEHAVIOR AROUND SEASONED EQUITY OFFERINGS

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While outside director board concentration (ODBC) levels have risen, research looking into the role that outside directors (OD) play in aligning shareholder and managerial interests has been inconclusive. This paper addresses the issue of OD effectiveness through focusing more fundamentally upon their allegiance as evidenced by the trading patterns of OD surrounding an event widely associated with declining shareholder wealth - the seasoned equity offering. Not only do OD significantly increase net sales in response to the offering, they tend to more highly concentrate their net sales before the offering than all other insiders and inside directors. Further, the concentration of net sales activity by OD is most prevalent in firms with the highest ODBC levels, suggesting that rising ODBC levels as a means to more effectively influence management as shareholders would prefer are misguided.

THE EFFECTS OF INTEREST RATE LEVELS AND VOLATILITY ON THE MATURITY INTERMEDIATION DECISION

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In this paper, we examine the effect of changing interest rate levels and volatility on the maturity intermediation decisions of a commercial bank. We point out the incentive for the bank to hold high risk long-term asset and liability maturity positions. Further, the greater the interest rate volatility, the greater is the incentive to accept the high risk position. We employ a framework of partial adjustment of revenues and costs to unexpected changes in interest rates to estimate the maturity intermediation and allow the parameters to vary over time. The estimates of maturity composition are then related to the levels and volatility of interest rates.

THE GOLD AND SILVER FUTURES MARKETS: AN ANALYSIS OF SHORT-TERM PRICE REVERSAL BEHAVIOR

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Many studies of stock markets provide evidence of overreaction and price reversals. Using a contrarian-trading scheme, this study provides evidence that price reversals in the gold and silver futures markets are related to information flow, change in trading volume, and intraday volatility. A larger information flow is associated with larger price reversals. Large price reversals also tend to occur on days with lower trading volume and days with a sharp change in trading volume from the prior day. Negative market movements are associated with larger price reversals than positive market movements. Larger price reversals also tend to occur on days with high intraday volatility.

ASIAN FINANCIAL CRISIS OF 1997-1998: A TALE OF TWO COUNTRIES

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The purpose of this paper is to explain not only why Asian Financial Crisis of 1997-1998 occurred, but also why some countries suffer a lot from speculative attacks, while other countries survived relatively unscratched throughout the crisis. For example, South Korea and Indonesia were engulfed by the crisis while Taiwan and Singapore fared better. After tracing major factors contributing to the Asian currency crisis and establishing stylized facts about underlying causes, we focus on South Korea and Taiwan to contrast different results from speculative attacks on their currencies. In order to find out why these two countries had different effects of the crisis, we examine macro-fundamental variables of South Korea and Taiwan and identify some potential causes of the crisis by using Engle and Granger causality test and co-integration analysis. Our findings show that there exists a unidirectional causality from international finance variables to the currency value for South Korea, but no causality between them for Taiwan.

FISCAL DEFICITS AND ECONOMIC GROWTH IN PORTUGAL: A LONG-TERM PERSPECTIVE

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A time series approach which includes unit root with structural breaks, cointegration, and Granger causality is applied to a long-run economic series for Portugal to study the long-term relationship between fiscal deficits and economic growth. Output and fiscal deficits, whether measured in amounts or as percentages of output, contain unit roots but are not cointegrated. Structural changes at various break dates do not affect their unit root process. Granger-causality analysis applied to the first difference of these variables yields results that are mixed. Different time periods and different measures of fiscal deficits support different theoretical views. For the period up to 1926, the neoclassical view apparently holds: growth in deficits affects economic growth negatively. For the period after 1926, however, the Keynesian view is corroborated: growing government deficits have positive effects on economic growth. The data fail to support the Ricardian equivalence view for any time period using any of the two deficit measures.

THE IMPACT OF NAFTA ON THE GROWTH OF NORTH AMERICAN BILATERAL TRADE

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This paper examines data from the International Monetary Fund's International Financial Statistics database to see how bilateral trade patterns between Canada, Mexico, and the United States changed as a consequence of the 1994 North American Free Trade Agreement (NAFTA). In the case of U.S.-Mexican and U.S.-Canadian trade, annual export and import data were converted to percentages of total trade. A pooled variance means test was then used to see if there was a significant difference between the growth of trade in the pre- and post-NAFTA periods. In addition, the Mann-Whitney-Wilcoxin test was also performed on each of the trade periods. Both tests show that the main outcome of the NAFTA was an increased rate of growth of bilateral trade between the United States and Mexico. There was additional evidence for an increased growth rate of U.S. exports to Canada, but the results for increased U.S. imports from Canada were mixed. There was no evidence to indicate that Mexican-Canadian trade growth rates changed as a result of the agreement.