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EFFECT OF BILATERAL TRADE RESERVES ON U.S. EXCHANGE RATE AND DEBT

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This paper adopts a simple three-equation open economies dynamic linear model to examine relationships among central banking fundamentals: large quantities of foreign international reserves held by China and Japan, bilateral yuan-dollar and yen-dollar exchange rates, US current account balance, federal government budget deficits and public debt. This model built on a global general equilibrium framework is solved by means of dynamic programming method for selection of an optimal rule equation. Results indicate that one percentage point change in contemporaneous international reserves over US GDP accounts for 99.96 percent of variation in yuan-dollar exchange rate and for 98.71 percent of change in yen-dollar rate from 1990/1 to 2006/12. The lagged one-period reserves as well as US twin deficits play insignificant roles. Results also suggest the pattern of impact by China is different from that exerted by Japan since the latter has long been on a floating exchange regime than the former.

THE EFFECT OF CROSS LISTING: EVIDENCE FROM THE AUSTRALIAN MARKET

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This study investigates the effects of cross listing activities for Australian listed companies. In particular, an analysis is made of the financial characteristics of cross- listed companies, and the companies' choice of foreign stock markets. We also conduct a joint test of the investor awareness, market segmentation, signalling, liquidity and shareholder base hypotheses by examining company post foreign listing stock price performance.

The results of this study exhibit four main conclusions. First, cross listed companies are on average larger and more profitable than their non-cross listing counterparts. Secondly, Australian companies in general are less likely to cross list on a foreign market whose regulation is more rigorous than the domicile market. Thirdly, cross listing companies' short-term post foreign listing share performance is generally significantly positive. Finally, cross listing tends to decrease the systematic risk of a firm.

FINANCIAL LEVERAGE AND GROWTH: SMALL VERSUS LARGE INDONESIAN FIRMS

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This study empirically examines the relationship between growth and leverage at the small and large firms in a general equilibrium framework. Using the three-stage least square method on a sample of Indonesian small and large enterprises, we find that large Indonesian firms suffer from debt overhang while small ones can utilize debt leverage to increase their growth. This study also finds that small firms have higher opportunities to grow due to higher returns on asset and equity, pay lower interest rates, and have lower leverage. However, we find that small firms' growth and leverage are significantly influenced by macroeconomic variables, measured by the real gross domestic product per capita and interest rates.

FINANCIAL LIBERALIZATION AND THE RISK-RETURN RELATIONSHIP: EVIDENCE FROM BRAZIL

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Tests of stock returns in developed and emerging markets indicate that several factors beyond the market portfolio are priced, a finding inconsistent with the predictions of the standard capital asset pricing model. To investigate the implications of financial liberalization for the pricing of risk factors, we conduct asset pricing tests using firm-level data in Brazil before and after liberalization. Subsequent to liberalization, several firm-specific attributes are priced differently. In particular, we find that the premium for small firms is greater in the post-liberalization period, consistent with an increase in foreigner investors who prefer large, highly visible firms.

THE OWNERSHIP STRUCTURE OF KOREAN FIRMS AFTER AN INITIAL PUBLIC OFFERING

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After an initial public offering (IPO), the ownership structure of Chaebol firms differs substantially from that of other Korean independent firms. The mean percentage holding of stock by large outside blockholders for Chaebol firms is 7.77%, whereas the mean percentage of large outside blockholders for independent firms is 14.02%. Managers of Chaebol firms appear to maintain control of IPOs by distributing shares to small individual investors through IPO underpricing. The evidence is consistent with that of managers of Korean independent firms who seek the benefits of monitoring by outside blockholders. We show that this monitoring is efficient as these independent firms achieve higher long-term post-IPO returns.

EMPIRICAL STUDY ON THE IMPACTS OF MAJOR EVENTS ON INTER-MARKET RELATIONSHIPS IN ASIA

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This study examines the effects of major economic and financial events on the relationships between stock markets in Asia. The empirical findings show the following: 1) daily returns have not been stable, but the inter-market relationships have been stable; 2) NAFTA and 9-11 Incident events had minimal impacts on inter-market relationships; 3) the markets became more integrated after the Mexican peso crisis and the Asian economic crisis, and 4) the correlations between stock markets had not significantly increased during this period. Since there have not been observed any significant changes in the inter-market relationships after these events, there still exist much diversification benefits to be exploited in Asia.

THE IMPACT OF BRIBERY ON FOREIGN DIRECT INVESTMENT: THE EVIDENCE FROM CHINA AND INDIA

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This paper examines the relationship between rate of economic growth, inward foreign direct investment, and perceived level of corruption in China and India. It seems that corruption (in the form of bribe taking) in India is significantly higher than in China and that does appear to have influenced its rate of economic growth adversely. With regard to foreign direct investment inflows, corruption is not a significant factor in either China or India. It is suggested that economic liberalization and attendant policies are driving growth in these two countries and foreign investors give greater weight to business opportunities, rather than prevalence of bribery, in deciding where to invest.