

A white outline of a world map is centered on the page. The map shows the continents of North America, South America, Europe, Africa, Asia, and Australia. The text is overlaid on the map.

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Cross-Sectional Analysis of Index and Commodity Markets Price Discovery

Stoyu I. Ivanov

This study examines the determinants of relative price discovery between the futures and cash prices in 30 index and commodity markets based on the Gonzalo and Granger (1995) permanent-transitory decomposition methodology. Twenty-eight indexes and commodities have proportional futures market information shares greater than 60%. Two commodities are the only exception: Feeders Cattle and Wheat-Minneapolis have price discovery occurring predominantly in the cash markets with information shares of their futures contracts of 33% and 40%, respectively. The research documents a significant cross-sectional variability of the information shares across the 30 indexes and commodities and finds that the information shares of the futures contract are lower when trading volume of the futures contract is lower, when the contract is on an energy commodity or agricultural commodity, and the commodity or index has a traded ETF.

Do Smarter Workers Remit Less? Survey Evidence from Latin America

David Offenbergl and Mauricio Rivera

This paper examines the link between intelligence and remittance levels using an exam to measure intelligence. With a survey of 117 migrant-remitters living in metropolitan Los Angeles, California, we find a negative correlation between the workers' level of intelligence and the amount they remit, both in dollar terms and as a percentage of their income: Smarter workers remit less. This finding is true even after controlling for common factors that dictate the level of remittances such as the relationship to the recipient and the relative wealth of the family back home. We find a negative correlation between intelligence and remittances, even though our sample is predominantly comprised of low-skilled workers. It appears that this negative correlation is a robust finding and not limited to populations with a large proportion of college-educated workers. This finding makes the brain drain a more complicated issue because there is no clear educational cut-off point at which policy-makers can aim their actions.

The Impact of Hurricanes on Investor Sentiment and Stock Market Returns

Daniel Huerta and Daniel Perez-Liston

In this paper, we employ an event study methodology to examine the impact of hurricanes on investor sentiment and stock market returns. Our results show that there is a significant decrease in stock returns on the day hurricanes make landfall and one day prior. Additionally, we observe that not all industries are significantly impacted and that firms with large market capitalization are least impacted by hurricanes. Further, we find a significant increase in investor fear on the day of hurricane landfalls, and a significant decrease in investor sentiment during the week prior to landfalls. These results suggest that hurricanes and the anticipation of these storms have a negative and significant impact on both stock market returns and investor sentiment.

Corporate Benefits from Investing in Poland's Special Economic Zones

Marek Marciniak

Since Poland embarked on the path of economic and political reform, a record volume of foreign direct investment has streamed into the country. A significant portion of foreign direct investment has been concentrated in special economic zones which offer a variety of business incentives to potential investors. The study provides evidence on how corporate valuations respond to investment announcements by companies in the Polish special economic zones where business incentives are offered. The results show that announcements of investment projects in Poland's special economic zones by publicly traded companies elicit a positive and significant stock price response. Furthermore, the positive reaction is much stronger for those projects in which the announced monetary value is relatively high. Multinational companies with substantial investment capital and unique capabilities (ownership advantages) benefit from business incentives by investing in special economic zones (location advantages) through the medium of greenfield investment (internalization advantages).

The Effect of the Preference for Housing Wealth on Consumption

Young Seob Son

This article offers a theoretical model on the preference for housing wealth under uncertainty to prove that the marginal propensity to consume (MPC) out of housing wealth may be smaller than that of financial wealth. We found that the preference for housing wealth induces a smaller MPC out of housing wealth, but the effects of the volatility and the expected growth rate of housing wealth on the MPC are stronger than those of financial wealth. Another interesting result is that it is possible for the preference for housing wealth to increase both MPCs.

Recent Trends in European Trade

Teit Lüthje

This article investigates whether European integration has led to increased trade and specialization among the member countries of the European Union. We find an increasing trend in the internal trade among the EU15 countries and that trade with new member countries is also increasing. The export of most EU15 countries is nearly evenly distributed on goods. Furthermore, we characterise European trade to see the driving factors behind this trade. Foreign trade in varieties of different quality dominates the trade between European countries as a consequence of the rising standards of living generated by the European integration. This trade is relatively high among large economies and economies in close proximity to each other. Finally, we see that the increase in trade in varieties of different quality is relatively larger among poor countries than among rich countries.
