DO SECTOR RETURNS LEAD THE STOCK MARKET?
THE INTERNATIONAL EVIDENCE

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This paper investigates the lead/lag relationship between the returns of a country's stock market index and 10 primary sector index returns. The sample consists of the Group of Seven (G-7) industrialized countries from January 1974 through December 2003. This study documents a statistically significant lead/lag relationship between sector returns and the stock market index returns in all seven countries. No sector is consistently significant across countries. The results of this study support the gradual information diffusion hypothesis: information travels slowly between asset classes.

RESPONSE ASYMMETRIES IN HONG KONG, SINGAPORE, TAIWAN, AND THAILAND EQUITY MARKETS: DOES TIME PERIOD MATTER?

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We use the price indices of four Asian emerging stock markets (Hang Seng Index for Hong Kong, the Straits Times Index for Singapore, the Weighted Index for Taiwan, Bangkok S.E.T for Thailand), and compare their performance with the S&P 500 Composite for the U.S., and the Nikkei 225 Stock Average for Japan to test the response asymmetry of emerging stock markets to stock markets in developed countries. We use several time spans to examine whether the results are consistent over time and conclude that there is response asymmetry between Asian stock markets and the U.S. and Japan markets over the long run but not in the short run.
THE CAUSALITY AMONG SOUTH KOREAN FIRMS' EARNINGS, DIVIDEND POLICY, AND INVESTMENT DECISION

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This paper examines the causality among earnings, dividends and investments using the Granger-causality model. Using a sample of publicly traded South Korean manufacturing companies, we find that investments cause earnings. We also find that earnings cause dividends and investments cause dividends. These findings are supportive of non-trivial agency costs, asymmetric information, and their implications. The findings imply that corporate financial decisions should be analyzed within a simultaneous model framework.

THE STOCK MARKET PERFORMANCE OF DEMUTUALIZED THRIFTS

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Demutualization is the process by which a company transfers ownership from its members to shareholders. In this paper, the authors document the short-run and long-run price performance of mutual-to-stock conversions by thrifts ("savings and loans" and "savings banks"). The authors investigate two competing hypotheses concerning the stock price reaction. The Regulatory Hypothesis suggests that the initial stock price reaction will be less positive than the general market, while the Agency Hypothesis predicts the opposite. The study's empirical findings support the Regulatory Hypothesis: the initial returns at stock issuance are much less than the general market and the long-run performance is much better.
VERTICAL SPECIALIZATION IN
THE PRODUCTION ACROSS COUNTRIES

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In this article we analyze the incentives for a vertical collaboration between producers in different countries. That is between producers in developed as well as in developing country. The purpose is to combine the two kinds of vertical specialization in one analytical framework. The new and quite central distinction from earlier contributions is that we take into account that in every link of the production process there is an exactly defined need of an intermediate good according to a certain kind of specification.

ON OUTSIDE DIRECTOR TRADING BEHAVIOR
AROUND SEASONED EQUITY OFFERINGS:
AN EXTENSION

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The growing presence of outside directors (OD) on boards underscores the presumption of natural alignment of OD and shareholder interests despite inconclusive evidence on this issue. This paper more directly addresses the issue of OD effectiveness through focusing upon the impact that OD have on insider trading activity surrounding an event widely associated with declining shareholder wealth - the seasoned equity offering (SEO). The evidence shows that OD increase net selling activity more dramatically than any other class of insiders in anticipation of the offering, initially suggesting misalignment. However, the degree of misalignment differs by type of offering firm. In particular, NASDAQ offering firms are associated with a negative relationship between OD board concentration levels and insider pre-offering net selling activity as well as a relatively significant reduction in insider trading activity over the six and twelve months surrounding the offering process. These results suggest that presumptions of increasing OD involvement as value enhancing are more supported for NASDAQ firms than for NYSE/AMEX offering firms.
INFLATION UNCERTAINTY AND INFLATION: IMPLICATIONS OF ADJUSTMENT AND ECONOMIC RECOVERY PROGRAMS IN SUB-SAHARAN AFRICA

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We investigate the possible impact of IMF and the World Bank's economic programs on the two-way link between inflation and the uncertainty of inflation in three Sub-Saharan countries from 1964-2004. Causality test results show that in all three countries the nature and direction of the relationship between inflation and uncertainty of inflation changes with the varying economic regimes resulting from IMF and World Bank Policies. Ghana shows significant evidence of the Friedman-Ball hypothesis in all regimes except the adjustment period and Senegal confirm the Cukierman-Meltzer proposition in the pre-adjustment period. In Uganda, results in the pre-adjustment period suggest an inverse relationship between inflation and uncertainty. We find no evidence of what Cukierman-Meltzer calls an opportunist central banker during the adjustment period.