ESSAYS IN FINANCIAL ECONOMICS

Edited by Rita Biswas
and Michael Michaelides

RESEARCH IN FINANCE

VOLUME 35

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This volume is dedicated to Dr John William Kensinger, Professor of Finance at University of North Texas, USA, who served as Editor-in-Chief of *Research in Finance* since Volume 26 (2010) until his untimely passing in July 2017. A retired Colonel from the U.S. Air Force (USAF), he served in Thailand and Germany as an Imagery Intelligence Officer during the Vietnam War. He was released from active duty in 1975 but continued to serve in various capacities till 1999, when he retired from the USAF. He obtained his Bachelor of Arts from Miami University, Oxford, OH, USA, majoring in English, in 1968, followed by an MBA. from the University of Utah, during his service in Germany. He received his PhD in Finance from Ohio State University in 1983. A recipient of several teaching awards at various institutions including University of North Texas, he was a Prolific Researcher. His work has been published in *Journal of Financial Economics*, *Financial Management*, *Journal of Financial Services Research*, and *Managerial and Decision Economics*, to name a few. He was particularly recognized for his pioneering work on real options as early as in 1987.

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INTRODUCTION

This volume starts with a study examining the NYMEX Crude oil market. It uses a no-arbitrage futures equilibrium cost-of-carry model that incorporates both the quality delivery option as well as the timing delivery option in the NYMEX contract. It finds support for the NYMEX futures price to be an unbiased estimator of the futures spot prices. Switching gears, this work is followed by two chapters focusing on the growth of firms, one for US firms and one for firms in India. Using a sample of S&P 500 firms, the first study finds that the impact of corporate financial decisions on the growth of a firm vary in the face of different degrees of asymmetric information; lower asymmetric information leads to favorable effects while higher asymmetric information leads to adverse effects of financial decisions on the growth of the firm. The other chapter on growth, utilizing a sample of firms from India's manufacturing sector, examines growth as a performance measure for firms. It finds that the growth option is not always beneficial; if a firm does not increase its asset base to pursue a growth option, it might end up with higher systematic risk. The fourth chapter continues with a country-specific study: it finds support for the Fama-French (FF) five-factor model for firms on the Paris Bourse with the additional finding that the investment risk premium (the fifth FF factor) is better priced in the French stock market than the profitability factor (the fourth factor). Continuing in a similar vein of a country-specific study, the next study examines the volatility of the Indian stock market using the Bombay Stock Exchange Limited Sensitivity Index (BSE Sensex). GARCH models detect the presence of clustering, time-varying volatility with positive correlations with daily stock returns. The next chapter is also a country-specific study in the Italian banking industry. It finds that the use of derivatives has a positive impact on the profitability of Italian banks including during the global financial crisis period and the Italian recession period and advocates for the continued use of derivatives in that sector. Finally, this volume closes with a chapter examining the relationship between the US Dollar Index and several emerging stock market indices using Granger causality tests; the results indicate that the US Dollar Index and selected emerging stock markets have a negative relationship, especially during the period following former Federal Reserve Bank Chairman Bernanke's "tapering" talk.

Rita Biswas
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