University of Otago

2019 (Oct) PhD Workshop

Department of Accountancy and Finance, Otago Business School

Program for 2019 (Oct) PhD Workshop

Department of Accountancy and Finance, Otago Business School

11:00am-2:00pm, 15 Oct 2019 (Tue), Commerce Boardroom 2.19/2.20

Organizer: Dr. Xinfeng Ruan

PhD Presentations

11:05 am to 11:11 am	Presenter: Tian Yue Title: The Volatility Index for the Chinese Equity Market
11:11 am to 11:17 am	Presenter: Renzhu Zhang Title: CEO Succession Gap and Stockholder Reactions
11:17 am to 11:23 am	Presenter: Quyên Thi Hoàng Nguyễn Title: Pricing Climate Transition Risk and Opportunity in Bank Loans
11:23 am to 11:29 am	Presenter: Wei Guo Title: The cross-sectional variation of index option returns
11:29 am to 11:35 am	Presenter: Sampath Kongahawatte Title: Investors’ trading behaviour in Korean equity market
11:35 am to 11:41 am	Presenter: Mahnoor Sattar Title: Private Firms, Female Directors and Firm Performance: Evidence from the UK
11:41 am to 11:47 am	Presenter: Wei Lin Title: A Joint Analytical Framework to Price VXX option under Levy Process
11:47 am to 11:53 am	Presenter: Khurshid Ali Title: The progression of climate change discourse by the top-tier accounting/finance journals listed in ABDC
11:53 am to 11:59 am	Presenter: Pakorn Aschakulporn Title: Bakshi, Kapadia, and Madan (2003) Risk-Neutral Moment Estimators

11:59 am to 12:05 pm	Presenter: Thilini Arachchige Title: Social Networks, Information Technology, Intellectual Capital and Value Creation in the Public Sector in Sri Lanka.
12:05 pm to 12:11 pm	Presenter: Iftekhar Ahmed Title: Estimating geographical range of microfinance's operations and credit allocations
12:11 pm to 12:17 pm	Presenter: Xiaolan Jia Title: The Implied Volatility Smirk in the Commodity Market
12:17 pm to 12:23 pm	Presenter: Ling Liao Title: The Development of the Carbon Pricing Framework under New Zealand Emission Trading Scheme (NZ ETS)

Mix and Mingle

12:30 pm to 2:00 pm	Lunch

Abstracts

Tile: The Volatility Index for the Chinese Equity Market

Tian Yue, PhD in Finance

Abstract

We introduce and evaluate the CNVIX (China Volatility) index: a model free volatility index based on SSE 50 ETF options for the Chinese equity market. We extend CBOE's (2003) methodology in VIX by interpolate/extrapolate virtual option dataset in the newly established Chinese equity option market. We also evaluate the CNVIX index in terms of leverage effect and return forecast by VRP (variance risk premium). We find strong negative leverage effect in CNViX and positive mean VRP, which can predict the underlying return in monthly horizon

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Tile: CEO Succession Gap and Stockholder Reactions

Renzhu Zhang, PhD in Finance

Abstract

This paper examines the price effect of succession-induced gaps in CEO characteristics. Results show that under forced removals and when pre-succession firm performance has been poor, market participants react favorably to successors with relatively high levels of succession gaps. The magnitude of CARs is 2.64% (4.35%) during the [-5,+5] event window for the High Gap group under forced succession (poor pre-performance). Positivecumulative abnormal returns were observed for firms tapping successors with relatively low levels of succession gaps under forced removals or successions following poor performance, albeit with a magnitude of just a few percent and lasting for no more than two days. The evolution of stock returns post-succession suggest that as the market begins to realize that the incoming and departing CEO share similar personal traits and therefore the expected changes may not be implemented, the market reverses the initial positive returns. Consistent with the Efficient Market Hypothesis, when the revelation of CEO succession gaps does not convey any information about firm future prospects, it will not be associated with abnormal returns. Under non-forced successions or when pre-succession performance has been good, however,the cumulative abnormal returns following the revelation of CEO succession gaps is not statistically different from zero during the [-5,+5] event period for both incoming CEOs with high and low succession gaps. This is because the event itself does not convey any new information to investors.

Tile: Pricing Climate Transition Risk and Opportunity in Bank Loans

Quyên Thi Hoàng Nguyễn, PhD in Finance

Abstract

It is well-known that climate transition creates both financial risk and opportunity. While there have been concerted efforts to explore the impact of climate risk on stocks and bonds, less is known about such mechanism at loan level. Limited research focus on the risk aspect (i.e. “carbon bubble”), and the opportunity aspect (i.e. “green energy”) is evident. Moreover, previous research scope is limited to fossil-fuel suppliers, but not on the downstream value chain. This paper proposes a bottom-up approach that links asset-level data and loan-level data to examine whether (i) banks have incorporated the climate transition risk (opportunity) into their pricing structure, (ii) the pricing policy is altered considering related aspects such as Paris Agreement and Trump Administration, and (iii) the pricing reflects the real credit risk of climate-relevant-firms

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Tile: The cross-sectional variation of index option returns

Wei Guo, PhD in Finance

Abstract

This paper analyzes the determinants of the cross-sectional and time series of delta-hedged option portfolio returns on 27 call and 27 put options constructed with a constant maturity and a constant moneyness. We include the five factors obtained from Fama-French 5 factor model, and find the market factor, size factor and profitability factor have more explanation ability compare to value factor and investment factor. For call and put option portfolios, the determinant factor are different. It seems put option portfolios are more related to variance premium factor and risk-free rate factor.

Tile: Investors’ trading behaviour in Korean equity market

Sampath Kongahawatte, PhD in Finance

Abstract

Motivated by the absence of a common theoretical explanation for momentum and the unusually high retail investor involvement in the Korean equity market, the purpose of this study is to examine the momentum trading behaviour of different investor types. Using company specific and daily investor trading flow data from the Korea stock exchange (KRX) for the period January 2004 to June 2015, the analysis constructs portfolios of winner-loser stocks to investigate price momentum as well as estimating risk premia with Fama MacBeth cross-sectional regressions. The results have the potential to provide new insight into how investors' trading behaviour contributes to momentum profits.

Tile: Private Firms, Female Directors and Firm Performance: Evidence from the UK

Mahnoor Sattar, PhD in Finance

Abstract

The purpose of this study is to investigate the effect of female directors on performance for 74,290 private firms in UK during the period 2005-2018. We find that the presence of females on the board is positively associated with multiple observable performance outcomes. Consistent with critical mass theory, three or more female board members doubles the economic benefit to the firm on average. In addition, we report evidence that female directors' nationality affects firm value. In particular, firm performance is positively related to local female directors but negatively related to foreign female directors. Our results are robust to a battery of endogeneity tests. The findings corroborate the benefits to increasing female participation on the board of directors in privately-held firms.

Tile: A Joint Analytical Framework to Price VXX option under Levy Process

Wei Lin, PhD in Finance

Abstract

We propose a Levy framework for modelling in a consistent manner the VIX index and the VXX, an exchanged-traded note written on the VIX future. Our study enables to link the properties of VXX to those of the VIX in a tractable way. In particular, we quantify the systematic loss observed empirically for VXX when the VIX futures term-structure is in contango and we derive option prices. Our framework can be used to model other exchange-traded notes on the VIX as well as any market where exchange-traded notes have been introduced on a reference index, hence providing tools to better anticipate and quantify systematic behaviour of an exchange-traded note with respect to the underlying index.

Tile: The progression of climate change discourse by the top-tier accounting/finance journals listed in ABDC

Khurshid Ali, PhD in Accounting

Abstract

Purpose – The purpose of this paper is to systematically review and critique the climate change work so far published by the top-tier (A* & A) accounting/ finance journals enlisted in the ABDC panel journals aimed at determining that how the climate change discourse has been taken up by the underlying journals in the 21st century.

Design/methodology/approach – The paper employs a systematic literature review based analysis of climate change related articles published by the top-tier (A* & A) accounting/finance journals during 2000 to 2018.

Findings – The results reveal that most of the finance journals are silent on climatic change discourse while only few of the accounting journals dominate the discourse on climate change.

Research limitations – the paper only consider the articles published in accountancy/finance journals enlisted in the ABDC panel with a timeframe of 19 years (2000 to 2018). Therefore, for instance, the ABDC ranked B and C papers have not been reviewed as well as accountancy/finance journals outside the ABDC panel may result in different findings.

Tile: Bakshi, Kapadia, and Madan (2003) Risk-Neutral Moment Estimators

Pakorn Aschakulporn, PhD in Finance

Abstract

This is the first study of the errors of the Bakshi, Kapadia, and Madan (2003) risk-neutral moment estimators with the density of the underlying explicitly specified. This was accomplished using the Gram-Charlier expansion. To obtain skewness with (absolute) errors less than 10^{-3}, the range of strikes (K_{min}, K_{max}) must contain at least 3/4 to 4/3 of the forward price and have a step size (ΔK) of no more than 0.1% of the forward price. The range of strikes and step size corresponds to truncation and discretisation errors, respectively.

Tile: Social Networks, Information Technology, Intellectual Capital and Value Creation in the Public Sector in Sri Lanka

Thilini Arachchige, PhD in Accounting

Abstract

Previous research on Intellectual Capital (IC) has mostly focused on IC reporting and developing frameworks linked to organisational performance. However, hardly any studies have looked at how IC can be mobilised through social networks (SN) to produce value creation (VC) in organizations. Grounded in Actor-Network Theory (ANT), this study aims to understand how human and non-human factors in SN interact with and mobilise IC to create value in public sector organizations. The study will adopt a qualitative approach, employing an in-depth case study of a public sector organisation related to tax administration in Sri Lanka. By combining SN, IC and VC the study will extend ANT to the domain of IC.

Tile: Estimating geographical range of microfinance's operations and credit allocations

Iftekhar Ahmed, PhD in Finance

Abstract

Microfinance –an anti-poverty credit program has promised to contribute significantly in achieving United Nations' Sustainable Development Goals (SDGs). However, a recent World Bank report claims that microfinance institutions (MFIs) have limiting their ability to deliver the SDGs by 2030 due to its extremely high exposure and vulnerability to climatic hazards. MFIs' sensitivity toward changing climate patterns and frequent catastrophic events can seriously harms its credit allocation, financial soundness, loan portfolio and asset quality. My thesis will examine the impact of climate physical risk on the microfinance industry by defining geographical reach of MFI's operations and credit allocations.

Tile: The Implied Volatility Smirk in the Commodity Market

Xiaolan Jia, PhD in Finance

Abstract

This paper studies the implied volatility (IV) smirks in four commodity markets by adopting Zhang and Xiang's (2008) methodology. First, we document the term structure and dynamics of IV smirks. Overall, the commodity IV curves are downward-sloping with a positive curvature. Then we analyze the commodity and S&P 500 returns predictability based on in-sample and out-of-sample tests and find that the information embedded in IV smirks can significantly predict both monthly commodity and S&P 500 returns. For example, the in-sample and out-of-sample R2 of the crude oil IV slope for predicting the S&P 500 returns are 3.25% and 8.75%, respectively.

Tile: The Development of the Carbon Pricing Framework under New Zealand Emission Trading Scheme (NZ ETS)

Ling Liao, MCom in Finance (Thesis only)

Abstract

New Zealand introduced its emission trading scheme in 2008 as the main tool for meeting domestic and international climate change targets. There has been some empirical analysis of the determinants of allowance prices in the early phase of the NZ ETS by using the data covering up to 2013. Much has taken place since then, which may affect the determinants of allowance prices. The paper aims to explore post 2013 allowance prices by employing vector error correction model, considering such fundamental variables as lake and flow levels and the demand and supply of allowances and conducting structural break tests.