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FINANCIAL STABILITY, TRADE OPENNESS AND THE STRUCTURE OF BANKS' SHAREHOLDERS

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Abstract
The adverse effect of financial crises upon the world's economies represented the background for the development of a wide economic literature on financial stability. The assessment of this phenomenon stands for a complex exercise, as many techniques can be used for this purpose. Such a technique is the construction of an aggregate financial stability index which allows for a comparison between financial systems stability. Based on an aggregate index and on a panel of data, we show that, for several Eastern European Countries, the financial stability is largely influenced by the trade openness and by the quality of banks' shareholders. Our conclusion highlights the fact that the countries with less trade openness and with private shareholders banks prove a better resistance to financial stress.

Keywords: financial stability, financial crisis, aggregate index, trade openness, banks' shareholders, financial integration.

JEL Classification: C33, F36, F43, G01.

MACROECONOMIC CONDITIONS AND CREDIT SPREADS

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Abstract
This study conducts an empirical examination of the impact of market conditions on credit spreads motivated by recently developed structural credit risk models. Using corporate credit spreads, we find that macroeconomic conditions mainly affect low rated bonds. In particular, the CPI and yield curve slope have significant impact on credit spreads of speculative grade bonds. Also, we find that the explanatory power of the model when spreads are divided by maturity is as large as when spreads are divided by credit rating. In the longest maturity categories, for example, we find that all macroeconomic conditions except for slope of term structure are significantly related to corporate credit spreads. Furthermore, the liquidity and default risks contribute significantly to the yield spreads on corporate bonds.

Keywords: credit spread, macroeconomic variables, liquidity risk, default risk.

JEL Classification: G12, G24, G33, B22, E44

SUSTAINABLE TRENDS IN PRODUCER PRICE INDICES

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Abstract
Previously, linear trends were revealed in the differences between the headline CPI and the price indices for various subcategories of the CPI in the United States. These trends can be continuous, as observed with the price index for medical care, or piecewise with turning points between trends with opposite signs. Similar features are found for the PPI and its components. The presence of sustainable trends in the differences allows prediction of prices for various commodities at time horizons of several years. In addition, it is possible to time the start of transition to the next trend. Accordingly, the trends reduce the uncertainty in forecasting prices for major commodities and also for their small components. The usage of trends in the PPI could bring substantial benefits to producers (planning) and stock market participants (timely investment).

Keywords: PPI, CPI, US, prediction.

JEL Classification: E31, E37

SHOCKING ASPECTS OF MONETARY INTEGRATION (SVAR APPROACH)

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Abstract:
One of the most challenging areas relating to the European Monetary Union (EMU) enlargement is the question of new member countries' vulnerability to exogenous shocks related to euro adoption. Even if well prepared, and also considering the business cycles of the EMU candidate countries became more correlated as the result of persisting convergence toward the old EU member countries, their real output will be still vulnerable to the exogenous structural disturbances. The responsiveness of the new EMU member countries' real output to the exogenous shocks may of course differ in intensity and durability. If we also assume a possibly low shocks correlation in these countries, the overall short-term wealth effect of the EMU membership may be rather low or even negative at all.

In the paper we analyze the impact of three common exogenous structural shocks on the real output development in the new EMU member countries (Cyprus, Malta, the Slovak republic and Slovenia) in the period 1999-2008 using SVAR (structural vector autoregression) approach. In order to meet this objective we decompose the variability of the real GDP in these countries to permanent and temporary shocks (we assume three types of shocks - nominal (liquidity), demand and supply shocks). Impulse-response functions will be also computed so that we can estimate the behaviour of the real output after structural one standard deviation innovations. The relevant outcomes of the analysis we compare with the results of the tests for the whole euro area (represented here by old EU member countries - EU-12 group). This approach helps us to understand the common as well as differing features of the real output determination in the new EMU member countries and old EU member countries.

Keywords: exogenous shocks, real output, structural vector autoregression, variance decomposition, impulse-response function.

JEL Classification: C32, E52

MODELLING MONETARY TRANSMISSION CHANNELS: THE CASE OF PHILIPPINES

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Abstract:
This main objective of this paper is to construct the augmented monetary conditions index (hereafter MCI) over the quarterly period 1982:1-2007:4 using bounds test approach for cointegration analysis. Results reveal evidence of cointegration between the real output (LRGDP) and its determinants that ultimately affects the inflation rate, namely interest rate, real exchange rate, claims on private sectors and share prices that address the four key transmission mechanisms channels, namely interest rate, exchange rate, credit, and asset price channels. Positive relations are revealed for RER, LRSPand LRCOPS; while RIR yields negative coefficient in relation to LRGDP. Meanwhile, the asset price channel in influencing the conduct of monetary policy stance in the Philippines could be argued to be slim. Monetary conditions during the study periods is found to be reflected in the BSP reaction to the prevailing economic situation, implying augmented MCI tracks the inverse movements of real GDP plausibly well on the average.

Keywords: cointegration, transmission channels, MCI.

JEL Classification: E52, E58.

CASE STUDY REGARDING THE CO-INTEGRATION OF THE FINANCIAL DERIVATES WITH THEIR UNDERLYING ASSETS

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Abstract:
Studies regarding the co-integration are frequently realized in the European Community to see in which measure the exchange markets of this are co-integrated, with the idea of creating in the future a unique European exchange market. Starting from these studies we will try to prove that there is a co-integration of the financial derivates with their underlying assets, generated by the existence of a well defined and well known causality relation. This thing has a great importance for the production of the elaboration model of a portfolio of financial assets and its protection by a management of operations with financial derivatives.
The paper manages to respond to the own signs of question, came up in the moment in which we had to underlie the central idea of the paper: the elaboration of a strategically portfolio and of a secondary one with comparative role, and the computer assistance of the decision of management of operations with financial derivatives.

Keywords: financial derivatives, co-integration test, unitary root, empirical research, decisional model.

JEL Classification: C52, C61, G11, G12

VALUE-AT-RISK VERSUS NON VALUE-AT-RISK TRADERS

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Abstract:
In the paper, I simulate the games with a joint presence of 95% VaR-rule and return-rule groups of agents. Simulations highlighted the level of omniscience, next being the rule, which agents follow at the decision-making, and the third the presence of liquidity agents in the game. Omniscient agents make different decisions than non-omniscient agents with non-omniscient return-rule agents performed a little better than the omniscient return-rule agents did, and omniscient VaR-rule agents performed slightly better than non-omniscient VaR-rule agents did. VaR-rule agents clearly outperform return-rule agents, with omniscient return-rule agents performing the worst. The role of liquidity agents has proved to be very significant with none of the two observed performed worst in the neither case.

Keywords: social networks, portfolio decision-making, stochastic finance, Value-at-Risk.

JEL Classification: G11, G32, C73, Z13.