

ABSTRACTS

■ Did The Global Financial Crisis Alter Cross-market Correlation?

A Copula-GARCH Approach

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This paper uses a wide variety of copulas to study the correlation between the US market and a sample composed of nine developed and emerging markets over a 13 years period, including the subprime crisis. We try to analyze the markets behavior during high volatility periods and assess if the financial crisis led to a significant and durable change in the cross-market correlation patterns. Results offer strong evidence in favor of a contagion effect. Developed markets are those who registered the most important increases in cross-market correlations during high volatility periods. This may be attributed to their high degree of financial integration. However, cross-market correlation is weak for the whole sample period and decreased during the post-crisis period, implying that international diversification still offers interesting opportunities for investors. Moreover, diversification opportunities are not restricted to emerging markets but also concern developed markets.

JEL Classification: C01, C1, C58, G15.

Keywords: Financial crisis; Contagion; Tail dependence; Copulas; Value at Risk; GARCH.

■ Creditor rights protection and bank stability in developing countries: evidence from Tunisia

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This paper analyzes the impact of creditor rights protection and the potential impact of interaction between legal rights and information sharing on the financial stability of banks in a developing country. We look at a sample of Tunisian listed banks over the period 2005-2018. We use an econometric method on a panel data framework that deals with heteroscedasticity and contemporaneous correlation problems. We show that poor legal protection of creditor rights increases Tunisian bank fragility. Indeed, the weakness of bankruptcy laws that favor debtors at the expense of creditors and the distorted collateral regime are significant in explaining the non-performing loans levels of Tunisian banks. In addition, our findings highlight the importance of credit information sharing in enhancing bank's credit quality. This effect is not only statistically significant but also economically large. Results suggest that an increase in credit information depth index by one standard deviation reduces bank risk by 1.59 percentage points. Finally, we show that the development of credit information sharing cannot substitute to a poor legal protection of creditor rights. Therefore, a true improvement of bank credit quality requires reforms toward more efficient insolvency procedures and collateral enforcement.

JEL Classification: C23, G21, G28.

Keywords: creditor rights, information sharing, bank stability, law and finance, non-performing loans.

■ Does corporate innovation strategy influence stock price crash risk? French market evidence

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The purpose of this paper is to examine the effect of corporate innovation strategy on firm-level stock price crash risk. Using a sample of French listed firms covering 2007-2016, we show that innovative firms are more prone to future stock price crash risk. Managers of these firms have optimistic expectations about growth prospects that encourage them to hide bad news, leading to higher stock price crash risk. This positive relationship is only prevalent in competitive product markets and with low analyst coverage suggesting that innovative firms are likely to experience stock price crashes when information asymmetry is exacerbated. Our results stand up to several robustness tests and remain unchanged after addressing endogeneity concerns.

JEL Classification: G12; G34; O30.

Keywords: Innovation; Stock price crash risk; Product market competition; Analyst coverage.

■ Measuring Volatility Spillovers among cryptocurrencies:

A Generalized VAR approach

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This paper investigates volatility spillovers among six competitor Cryptocurrencies from August 8, 2015 to September 01, 2019. A Generalized VAR framework is used to measure time varying spillovers index. Results provide evidence of (i) a rise in volatility spillovers transmitted among monitored Cryptocurrencies since the second quarter of 2017. (ii) Ethereum acts as the major contributor on spillovers index, contrary to Ripple that presents the main recipient of spillovers. (iii) the pairwises (Monero-Ripple) and (Bitcoin-Ethereum) present a low connectedness level driving consequently beneficial diversification opportunities for cryptocurrency investors.

JEL Classification: G11 ; G15 ; F31 ; C22 ; C58

Keywords: Cryptocurrencies, Generalized VAR, time varying index, volatility spillovers.