

Dynamic price transmission between ADRs and underlying security : the case of Taiwan, China, Japan and Korea / 吳世杰

吳世杰、梁晉嘉

E-mail: 352421@mail.dyu.edu.tw

ABSTRACT

In this paper, we study the dynamic price transmissions between ADRs (American Depositary Receipts), issued by Taiwanese, Chinese, Japanese and Korean firms, and their underlying security. We utilize the Mean Group (MG) and Pooled Mean Group (PMG) estimator by Pesaran et al (1999). This is estimated in a dynamic panel model, where the long-run parameters of interest are restricted across the panel but the short-run dynamics are estimated without restriction for each individual of the panel, it is more efficient. And the Hausman test reveals statistics not reject the null hypothesis of the long – run homogeneity for each individual. The use of the PMG estimator seems to be more appropriate than the MG estimator for our target. The results obtained from the PMG estimator suggest stock price is positively correlated with ADRs. As can be seen, the signs of the long run coefficients obtained from the PMG estimator appear to be in line with the theoretical expectations.

Keywords : Underlying Security、ADRs、Pooled Mean Group (PMG)、Mean Group (MG)、Hausman test

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