Table A.3

Pooled Cross-Section and Time-Series ADRs in the Presence of All Driver Variables: Currency Dummy Variables Approach

This table summarizes the results of pooling all n=68 ADRs using n-1 dummy variables and EGARCH (1, 1) estimation procedure. This is equivalent to Table 7, but categorization is done on the basis of the underlying currencies of the ADRs, similar to the categorization reported in Table 5. However, this table includes only the final 68 ADRs used in our study, while Table 5 includes all 73. This results in the exclusion of two currencies (CLP and COP) from the analysis. The dependent variable is the first difference in ADR prices and the independent variables are the first differences in the major driver variables, i.e., local price of the underlying shares, the pertinent currency spot rate, the S&P 500, and the representative local equity market index. Also included are the open and close dummy variables, to account for the opening and closing minutes of the markets, as well as seven dummy variables to account for heterogeneity among the currencies. Six separate specifications (models) based on relations (3) and (4) are estimated. The dummy variables are included in all models, but the models differ in terms of inclusion of the driver variables. The first model uses only the first difference in the underlying local share and the currency spot rate as the independent variables. The second model adds the first difference in the price of the S&P 500 as a proxy for the U.S. market and the first difference in the pertinent local equity market index as a proxy for the macro variable in the local market. The third model adds two dummy variables to indicate trades that occur during the first and last fifteen minutes of the opening and closing of the overlapping trading minutes. These three models have no restrictions imposed on the estimated coefficients. Finally, the same three models are estimated again while imposing the restriction that the coefficients for the local return and the currency return add up to 1. This provides substantial ease in the interpretation of the results in relative terms. All coefficients are significant at the 1% level or below, except for those marked with an asterisk.

				With Restriction: Ret loc+Ret fx = 1		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Variable	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates
Intercept	-0.000095	-0.000130	7.7197E-6*	0.000139	0.000180	0.0000307
Ret_Loc Share	0.7636	0.7225	0.7470	0.7420	0.6868	0.6869
Ret Currency	0.7773	0.7060	0.7417	0.2580	0.3132	0.3131
Ret S&P500		0.1443	0.1974		0.2614	0.2614
Ret Loc Equity Index		0.1817	0.0697		0.1819	0.1819
d_Brazilian Real	0.000101	0.000137	-8.209E-7*	-0.000136	-0.000179	-0.000032
d_Swiss Franc	0.0000603	0.0000928	-0.000042	-0.000183	-0.000208	-0.000094
d_Danish Krone	-0.000328	-0.000568	-0.000024	-0.000090	-0.000129	-0.000139
d_Euro	0.0000857	0.000150	-5.546E-6*	-0.000125	-0.000338	0.0000311
d_British Pound	0.0000890	0.000118	3.8248E-6*	-0.000133	-0.000175	-0.000069
d_Mexican Peso	0.000133	0.000146	-0.000017	-0.000161	-5.777E-6*	-0.000160
d_Norwegian Krone	-0.000097	-0.000162	-0.000025*	-0.000140	-0.000170	-0.000118
Opening Time Dummy			-0.000027			0.000118
Closing Time Dummy			-1.697E-6*			0.000166

				With Restriction: Ret loc+Ret fx = 1		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Variable	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates
ω	-13.6516	-13.6719	-13.6069	-13.9965	-14.0524	-14.0521
α	0.2290	0.2279	0.2216	0.2461	0.2228	0.2228
γ	0.0394	0.0409	0.0521	0.0103	0.0217	0.0181
θ	-0.0150	-0.005290	0.007693	-0.000256*	-0.000088*	-0.000133*