Table A.4

Pooled Cross-Section and Time-Series ADRs in the Presence of All Driver Variables: Sector 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 the categorization is done by Global Industry Classification Standard (GICS) of the ADR underlying shares, similar to the categorization reported in Table 6. However, this table includes only the final 68 ADRs used in our study, while Table 6 includes all 73. The dependent variable is the first difference in ADR prices and the independent variables are the first differences in the major driving 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 the close dummy variables, to account for the opening and closing minutes of the markets, as well as nine dummy variables, to account for heterogeneity among the GICS. Six separate specifications (models) based on relations (3) and (4) are estimated. The dummy variables are included in all the 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	-0.000012	0.0000292	0.0000130	0.0000541	0.0000247	0.0000196
Ret Loc Share	0.7882	0.7194	0.7299	0.7410	0.6869	0.6871
Ret Currency	0.7792	0.7343	0.7252	0.2590	0.3131	0.3129
Ret S&P 500		0.2817	0.1666		0.2614	0.2615
Ret Loc Equity Index		0.1000	0.1638		0.1819	0.1819
d_Cons. discretionary	-0.000105	-0.000126	8.9738E-6	-0.000056	-0.000117	-0.000067
d_Consumer Staples	0.0000394	-8.529E-6	5.4009E-6	-0.000059	-3.796E-6*	-3.031E-6*
d_Energy	0.000105	7.3463E-6	0.0000246	-0.000084	-1.861E-6*	-5.057E-6*
d_Financials	0.0000194	0.0000103	5.6209E-6*	-0.000117	-0.000032	-3.715E-6*
d_Health Care	7.7565E-6	-0.000019	-0.000051	-0.000062	-0.000029	-0.000035
d_Industrials	-0.000039	-0.000063	0.0000365	-0.000012	-0.000059	-0.000045
d_Info Technology	-0.000069	-0.000095	2.5265E-6*	0.0000242	-0.000090	-0.000072
d_Materials	0.0000163	-0.000013	-0.000025	-6.9E-6	0.0000149	-2.3E-6*
d_Telecom. Services	-0.000069	-0.000116	-0.000131	-0.000121	-0.000085	-0.000055
Opening Time Dummy			-4.622E-6			-0.000048

				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	
Closing Time Dummy			0.0000370			0.0000321	
ω	-13.7635	-13.7726	-13.7072	-13.9978	-14.0526	-14.0523	
α	0.1980	0.1979	0.2161	0.2218	0.2175	0.2201	
γ	0.0475	0.0502	0.0448	0.0256	0.0248	0.0224	
θ	-0.0443	-0.0299	-0.009233	-0.000225*	-0.000094*	-0.000091*	