

REVIEW OF APPLIED ECONOMICS

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REVIEW OF APPLIED ECONOMICS (RAE)

Review of Applied Economics (RAE) is a refereed journal in applied economics for economists, econometricians and financial economists in academic, government and non-governmental organisations.

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A NOTE FROM THE EDITOR AND ASSOCIATE EDITORS

This issue marks the 9th year of the journal in publication. The journal has achieved some milestones and ranked C by the Australian ABDC ranking. The journal is published annually, all editorial correspondence and submissions are done electronically and submissions have increased considerably over time.

This issue contains seven applied papers on various issues of interest to our readers. The lead article by *Malcolm and Abdurrahman* examines the effect of marital labor force absences on post-divorce labor market outcomes and to contrast the effect of comparable absences across genders. Using US data from the National Longitudinal Survey of Youth, the authors show that absence from the labor force during marriage is associated with a lower probability of employment following divorce. For women, the effect is large initially – a 14.5% decline in probability of finding a job after divorce for each year out of the labor force during marriage. The effect dissipates over time, but there is long-run persistence. For men, the effect of comparable absences from the labor force is smaller and transitory. The presence of children also lowers labor market participation of women following divorce.

Peng, Au Yong and Treepongkaruna paper investigates the existence and determinants of contagion and flight-to-quality phenomena across eight crises periods in the stock and bond markets of APEC countries between 1995 and 2010. The findings show the presence of contagion effects among stock markets of APEC countries and between the U.S. and Canadian bond markets. There are evidences of flight-to-quality from majority of the stock markets to the U.S. bond market. Market sentiment plays an important role in explaining both contagion and flight-to-quality phenomena. The authors' findings suggest that governments should facilitate bond market development to prevent the propagation of crises across countries.

Vogiazas and Alexiou paper investigate the determinants of credit growth in Greek banking sector. Using panel data analysis, they purports to explore and effectively shed some light on the key factors that determined the lending behavior of the banking sector in the pre-crisis period. Their results confirm that an ever increasing public debt results in curtailed lending while rising real private consumption kept Greek lenders' volumes at high levels. Given the current banking sector restructuring that is taking place in Greece the evidence that is generated can be invaluable as it suggests alternative channels through which the battered banking sector could resume its main intermediation role.

Bouras, Bouras and Ajuzie paper empirically investigate the effect of diversification on the financial performance of the US publicly traded grocery stores. The paper uses three different methods. The first method uses financial statement analysis, the second method is based on multivariate regression analysis, and the last method uses Data Envelopment Analysis (DEA). The financial statement analysis reveals that diversified grocery stores exhibit higher financial performance as

compared to their non-diversified counterparts irrespective of the performance measure used. The results of multivariate regression analysis show that while diversification has a positive and significant impact on the financial performance of grocery stores, other factors such as market share, size of grocery store, advertising intensity, and leverage cannot be ignored in explaining the financial performance of grocery stores. Finally, DEA analysis indicates that diversified grocery stores exhibit higher financial performance as compared to non-diversified grocery stores.

Using daily data from January 2003 to February 2013, *Karunanayake* paper examines the influence of exchange rate exposure on Australian stock returns and their volatility. The study uses the exchange rate between the Australian dollar and seven other currencies to quantify the extent of the influence of each currency's exposure on Australian stock returns and their volatility. The author's results indicate that the lagged exchange rates of six of the seven currencies, and their unanticipated shocks, significantly influence Australian stock returns. However, the results show that the influences of the variances of exchange rates on Australian stock returns are insignificant. Unlike the influence of exchange rate volatility on Australian stock market returns, exchange rate volatility exposure on Australian stock market volatility indicates statistically significant results for the variance of two of the seven currencies.

Wong, Tan and Lee analyses the technical efficiency and total factor productivity (TFP) growth of China's electronics industries from 2006 to 2010 using the stochastic production frontier model. Their results show that the mean technical efficiency scores of electronics firms in Hong Kong and Mainland China are 63% and 90%, respectively. The technical inefficiency effects model reveals that firm specific characteristics, namely the capital structure, profitability, firm size and regional location, are crucial determinants of firms' efficiency. Since firm size has a positive effect on inefficiency, small and medium-sized electronic firms appear to demonstrate a higher level of efficiency than their larger counterparts. In the TFP analysis, Hong Kong firms recorded both higher TFP growth and technological progress compared to their Chinese counterparts. In contrast, Mainland Chinese firms performed better in the context of managerial and scale efficiency.

Seddha-udom paper examines the daily exchange rate movements of the five most traded currency pairs from 1999 until the first half of 2013. The proposed model is based on a chartist-fundamentalist approach, i.e., the expected daily exchange rate movement is influenced by its past movement as well as the extent to which the market rate deviates from its fundamental value. The model is specified as a two-state Markov switching model due to its empirical support for in-sample prediction. The model implies that monetary authorities can implement policies to potentially stabilize short-term exchange rate movements by influencing the expectations of short-term speculators. In contrast, the expectations of longer-term investors are quite stable and tend to converge to the trend and long-run equilibrium in the foreign exchange market without the need for short-run policy interventions.

We hope that you are delighted with the content of this issue. We are committed to providing you with more stimulating and dynamic papers in future issues. We invite readers to suggest "themes" for special issues in RAE future issues. We want RAE to reflect your research interests and needs.

Christopher Gan
Minsoo Lee
Au Yong Hue Hwa