APAD2011

The 7th Conference of Asia-Pacific Association of Derivatives

at

Seminar Room (21st floor) of

Haeundae Centum Hotel http://www.centumhotel.co.kr/

Busan, Korea

August 25 – 26, 2011

Hosted by

Korea Derivatives Association (KDA)

Sponsored by

Korea Exchange (KRX)

Korea Financial Investment Association (KFIA)

Korea Securities Depository (KSD)

Daewoo Securities Co. Ltd

Hana-Daetoo Securities Co. Ltd

Greetings from the APAD2011 Program Chair

Welcome to the seventh annual conference of the Asia-Pacific Association of Derivatives! The previous APAD conferences have surely promoted research in the area of derivative securities markets and have provided us opportunities to meet with academicians, practitioners, and regulators in the Asia-Pacific region. At this APAD2011 conference, we will continue our tradition. In particular, the current conference features 33 reviewed papers from abroad and within altogether.

As you all know, regulators all over the world are preparing a new mechanism for preventing a recurrence of the crisis that nearly caused world financial markets meltdown in 2008, and putting regulations on the freewheeling derivatives market. As for OTC derivatives market regulations, the global financial crisis has prompted calls for new oversight, which was one of the key issues on the G-20 leaders discussed in London in April. Together with this world-wide move, as losses on foreign exchange derivatives so-called KIKO grew steeper recently in Korea, Korean financial authorities are also considering many regulations on derivatives products and markets, which causes many concerns because Korean derivatives markets are at the initial stage of development as yet. Under the circumstances like this, a special symposium entitled Introducing CCP for Korean OTC derivatives markets is timely prepared.

Therefore we sincerely hope the conference to provide all the participants from abroad as well as within with opportunities to communicate with each other and to enhance our collaboration in fostering Asian capital markets to be globally competitive. More active inter-market relationship and strategic alliance would be anticipated.

On behalf of all APAD members, I acknowledge the great sponsorship of the Korea Exchange, the Korea Financial Investment Association, the Korea Securities Depository, Hana-Daetoo Securities Co. Ltd and Daewoo Securities Co. Ltd for this conference. Finally I wish all of you to have a great time in Busan.

Moosung Kim, Ph.D.
Program Chair of the *APAD2011* Conference
President of Korea Derivatives Association

Program of the Conference

Thursday, August 25

13:30 ~ **Registration**

14:30 ~ 16:30: **Academic Session I**

Session 1: KSD(Korea Securities depository)Session

: Derivatives and Settlement

Session 2: Empirical Option Pricing

Session 3: Financial Theory

16:50~17:50 **Keynote Speech by Tong Suk Kim (KAIST)**

Recent Financial Crisis and Derivatives

18:00 ~ 20:00 **Main Ceremony and Best Paper Award with Dinner**

Friday, August 26

08:00 ~ 09:00: **Breakfast**

09:00 ~ 10:30: **Academic Session II**

Session 4: Financial Econometrics

Session 5: Interest Rates

Session 6: Risk Management

10:40 ~12:10: **Academic Session III**

Session 7: Special Issues in Financial Engineering

Session 8: Hedging

Session 9: Volatility Forecasting

Academic Session I (14:30-16:30, August 25, 2011)

Session 1: KSD(Korea Securities depository)Session

: Derivatives and Settlement

Session Chair: Tong Suk Kim (KAIST)

1-1: "Pre-trade Transparency and the Information Content of the Limit-Order Book"

Huu Nhan Duong (University of South Australia)

Petko S. Kalev (University of South Australia)

Yang Sun (University of South Australia)

Discussant: Doojin Ryu (Hankuk University of Foreign Studies)

1-2: "Low-Latency Trading and Refresh of Limit Order Book: Evidence from Taiwan Futures Market"

Ming-Chang Wang (National Chung Cheng University)

Bang-Ying Chou (National Chung Cheng University)

Chun-Hao Chang (National Chung Cheng University)

Discussant: Petko S. Kalev (University of South Australia)

1-3: "The Price Discovery Puzzle in Offshore Yuan Trading: Different Contributions for Different Contracts"

David K. Ding (Massey University)

Yiuman Tse (University of Texas at San Antonio)

Michael Williams (University of Texas at San Antonio)

Discussant: Baeho Kim (Korea University)

1-4: "The implied convenience yield of precious metals: Safe haven versus industrial usage"

Grant Foster (Deakin University)

Discussant: Chae Woo Nam (Korea Capital Market Institute)

Session 2: Empirical Option Pricing

Session Chair: Suk Jin Kim(Kyungpook National University)

2-1: "Volatility Arbitrage around Earnings Announcements: Evidence from the Korean Equity Linked Warrants Market"

Bok Baik (Seoul National University)

Hyoung-Goo Kang (Hanyang University)

Young Jun Kim (Seoul National University)

Discussant: Young-Min Choi(Seoul National University)

2-2: “The Formation of Volatility Expectations during Financial Crises: Evidence from Markov-regime Switches in Implied Volatility Indices”

Kazuhiko Nishina (Osaka University)

Nabil Maghrebi (Wakayama University)

Mark J. Holmes (Waikato University)

Discussant: Yuqin Huang(United International College)

2-3: “Dividend-rollover Effect & the Ad Hoc Black-Scholes model”

Youngsoo Choi (Hankuk University of Foreign Studies)

Steven J. Jordan (Econometric Consulting)

SoonChan Ok (Hankuk University of Foreign Studies)

Discussant: Bong Jun Kim (Gyeongsang National University)

2-4: “Relation between VIX’s return and volatility: A behavioral explanation”

Ju Xiang (Central University of Finance and Economics)

Discussant: Daehee Jeong (Korea Development Institute)

Session 3: Financial Theory

Session Chair: In Joon Kim (Yonsei University)

3-1: “Option-Implied Cost of Equity with Conditional Jump, Stock Valuation and Return Predictability”

Yau Man Ze-To Samuel (Hong Kong Baptist University)

Discussant: Sun-Joong Yoon (Hallym University)

3-2: “Market Inefficiency and the Learning Curve: The Case of Sports Lottery Market”

Joon Ho Hwang (Korea University)

Discussant: Young-Kyu Park (Catholic University)

3-3: “Strategic Asset Allocation: with Commodity Futures as an Asset Class”

Yongyang Su (Hong Kong Baptist University)

Marco Lau Chi Keung (Hong Kong Baptist University)

Discussant: Uk Chang (Duksung Women's University)

3-4: "Volatility Dynamics of Indonesian Stock Market and Time-Varying CAPM"

Kook-Hyun Chang (Konkuk University)

Sulung Liyu Adhi Kasari (University of Indonesia)

Discussant: Jang Woo Lee (Pusan National University)

Academic Sessions II (09:00-10:30, August 26, 2011)

Session 4: Financial Econometrics

Session Chair: Chung-hun Hong (Kookmin University)

4-1: "Non-parametric Tests for the Martingale Restriction: A New Approach"

Biao Guo (University of Nottingham)

Qian Han (Xiamen University)

Doojin Ryu (Hankuk University of Foreign Studies)

Discussant: Eunyoung Kim (Pusan National University)

4-2: "Option Pricing under Stock Market Cycles with Jump Risks: Evidence from Dow Jones Industrial Average Index and S&P 500 Index"

So-De Shyu (National Sun Yat-sen University)

Shih-Kuei Lin (National Chengchi University)

Shin-Yun Wang (National Dong Hwa University)

Discussant: Se Ryoong Ahn (Ajou University)

4-3: "Dynamic Implied Correlation Modeling and Forecasting in Structured Finance"

Sebastian Löhr (Leibniz University of Hannover)

Olga Mursajew (Leibniz University of Hannover)

Daniel Rösch (Leibniz University of Hannover)

Harald Scheule (University of Melbourne)

Discussant: Won-Suk Liu (Seoul National University)

Session 5: Interest Rates

Session Chair: Kook-Hyun Chang (Konkuk University)

5-1: "Pricing and Hedging the Smile with SABR: Evidence from the Interest Rate Caps Market"

Tao L. Wu (Illinois Institute of Technology)

Discussant: Gyoocheol Shim (Ajou University)

5-2: "The 10-Year Treasury Note Market"

Christopher G. Lamoureux (University of Arizona)

George Theocharides (Cyprus International Institute of Management)

Discussant: Kyu-Chul Jung (Korea Development Institute)

5-3: "Macroeconomic factors and volatility of Treasury bond returns"

Jingzhi Huang (Pennsylvania State University)

Lei Lu (Peking University)

Discussant: Young-Sik Kim (Seoul National University)

Session 6: Risk Management

Session Chair: Robert I. Webb (University of Virginia)

6-1: "The Failure of Risk Management for Non-Financial Companies in the Context of the Financial Crisis: Lessons from Aracruz Celulose and Hedging with Derivatives"

Rodrigo Zeidan (University of Nottingham)

Bruno Rodrigues (Brazilian Development Bank)

Discussant: Ho Sun Lee (National Pension Research Institute)

6-2: "Twin Crises, Foreign Currency Risk Management and Bank Value"

Sungjae Kim (Louisiana State University)

Rajesh Narayanan (Louisiana State University)

Discussant: Joon Ho Hwang (Korea University)

6-3: "FX options hedging with comprehensive risk management"

Liyan Han (Beihang University)

Libo Yin (Beihang University)

Discussant: Kyeong Tae Kim (POSTECH)

6-4: "Extended Value at Risk Measure (EVaR) for Market Risk"

Mo Chaudhury (McGill University)

Discussant: Bong-Gyu Jang (POSTECH)

Academic Sessions III (10:40-12:10, August 26, 2011)

Session 7: Special Issues in Financial Engineering

Session Chair: Hyeng Keun Koo (Ajou University)

7-1: "Application of flocking mechanism to the modeling of stochastic volatility"

Hyeong-Ohk Bae (Ajou University)

Shin Mi Ahn (Seoul National University)

Seung-Yeal Ha (Seoul National University)

Yongsik Kim (Ajou University)

Hyuncheul Lim (Kookmin Bank)

Discussant: Hyuntak Lee (POSTECH)

7-2: "Nonlinear Expectations and Risk Measures"

Zengjing Chen (Shandong University & Ajou University)

Kun He (Donghua University)

Reg Kulperger (University of Western Ontario)

Discussant: Seungkyu Lee (POSTECH)

7-3: "Credit Risk with Selection of Effort and Volatility"

Abel Cadenillas (University of Alberta & Ajou University)

Alain Bensoussan (University of Texas, Dallas & Hong Kong Polytechnic Univeisty & Ajou University)

Hyeng Keun Koo (Ajou University)

Jaeyoung Sung (Ajou University)

Discussant: Seyoung Park (POSTECH)

Session 8: Hedging

Session Chair: Tae-Hyuk Kim (Pusan National University)

8-1: "Intra-day dynamic hedging and futures market volatility"

Gerard L. Gannon (Deakin University)

Ruipeng Liu (Deakin University)

Discussant: Sol Kim (Hankuk University of Foreign Studies)

8-2: "The Relation among SPX Options, Variance Futures and VIX Futures"

Yuqin Huang (United International College)

Jin E. Zhang (University of Hong Kong)

Discussant: Hyoung-Goo Kang (Hanyang University)

8-3: "Time-varying optimal hedge ratios: An empirical analysis"

Kenneth James Newman (Deakin University)

Prasad S. Bhattacharya (Deakin University)

Harminder Singh (Deakin University)

Discussant: Joonhyuk Song (Hankuk University of Foreign Studies)

8-4: "Is It Useful to Consider the Traders' Rules for Pricing Opinion?: Evidence from Intraday Data"

Sol Kim (Hankuk University of Foreign Studies)

Discussant: Youngsoo Choi (Hankuk University of Foreign Studies)

Session 9: Volatility Forecasting

Session Chair: Jong Yeon Choi (Hanyang University)

9-1: "Liquidity considerations in estimating implied volatility"

Rohini Grover (India Gandhi Institute of Development Research)

Susan Thomas (India Gandhi Institute of Development Research)

Discussant: Seong Ju Moon (Gyeongsang National University)

9-2: "The information content of model-free implied volatility"

Xin Cheng (Mckinsey & Company)

Joseph K.W. Fung (Mckinsey & Company)

Discussant: Chung-Hyo Hong (Kyungnam University)

9-3: "An Investigation of Relationship between KOSPI200 Index Return and Change of VKOSPI using High-Frequency Data"

Debasis Bagchi (George College of Management Science)

Discussant: Changjun Lee (Kwangwoon University)

9-4: "What Drives Linkages Between Ex Ante Volatilities Across Stock and Bond Markets"

Yinggang Zhou (Chinese University of Hong Kong)

Discussant: Dongwoo Rhee (Samsung Asset Management)

Conference Organizing Committee

Moosung Kim, Ph.D.
Program Chair of APAD2011
Pusan National University
Tel: +82-51-510-2571
E-Mail: kmoosung@pusan.ac.kr

Sang-Gyung Jun, Ph.D.
Program Main Director of APAD2010
Hanyang University
Tel: +82-2-2220-1650
E-Mail: sjun@hanyang.ac.kr

Youngsoo Choi, Ph.D.
Program Director of APAD2010
Hankuk University of Foreign Studies
Tel: Office +82-31-330-4109
Fax +82-31-330-4566
E-Mail: choiys@hufs.ac.kr

Sol Kim, Ph.D.
Program Director of APAD2010
Hankuk University of Foreign Studies
Tel: +82-2-2173-3124
Fax: +82-2-959-4645
E-mail: solkim@hufs.ac.kr

Hyoung-Goo Kang, Ph.D.
Program Director of APAD2011
Hanyang University
Tel: +82-2-2220-2883
E-Mail: hyoungkang@hanyang.ac.kr

Pan-Do Son, Ph.D.
Program Director of APAD2011
Donga University
Tel: +82-51-200-7424
E-Mail: pdsohn@dau.ac.kr

Sang-Hoon Kang, Ph.D.
Program Director of APAD2011
Pusan National University
Tel: +82-51-510-2558
E-Mail: sanghoonkang@pusan.ac.kr