

Empirical Analysis of the Forward Premium: Evidence from the Asia-Pacific Region

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《報告要旨》

This paper empirically analyzes the behavior of the forward premium for Asia-Pacific countries. Unlike previous research, we adopt the panel data approach (Bai and Ng 2004) which allows us to decompose the forward premium into common and idiosyncratic (country-specific) components and analyze economic factors influencing the common factors. Our data suggest the presence of one common factor and the stationarity of both common and idiosyncratic factors, leading to a conclusion of a stationary forward premium. The presence of the common factor implies integration of the financial markets in these countries, and furthermore a large portion of the premium fluctuation is due to a common factor which can be explained by changes in economic and financial developments in the US.