

327 Views | 16 CrossRef citations to date | 0 Altmetric

Original Articles

Price determinants of American Depositary Receipts (ADR): a cross-sectional analysis of panel data

Katty Pérez Aquino & Sunil Poshakwale

Pages 1225-1237 | Published online: 02 Feb 2007

Cite this article <https://doi.org/10.1080/09603100500447503>

Sample our Economics, Finance, Business & Industry Journals >> Sign in here to start your access to the latest two volumes for 14 days

Full Article | Figures & data | References | Citations | Metrics

We Care About Your Privacy

We and our 880 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting I Accept enables tracking technologies to support the purposes shown under we and our partners process data to provide. Selecting Reject All or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the Show Purposes link on the bottom of the webpage. Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Here](#)

We and our partners process data to provide:

Use precise geolocation data. Actively scan device

I Accept

Reject All

Show Purposes



from 13 Regression
ite both
tional panel
most
provided in
gnificantly
discovery
nnovations
act is not as

Notes

¹ See the Bank of New York (BNY, 2002).

² See Verbeek (2000) for an explanation of the advantages of using panel data in financial analysis.

³ The term closing prices refers to the previous day's closing price, adjusted for subsequent capital actions (i.e. bonus and right issues).

⁴ Japan and Australia are the second and third biggest issuers of Depository Receipt programs.

⁵ Industry (global or local), country (developed or emerging), and global (crude oil, seasonal dummies, etc.) factors have not been considered because prior research suggests that these do not have much explanatory power in explaining ADR returns (Choi and Kim, 2000; Kumar Patro, 2000).

⁶ The SUR/FGLS estimator was popularised by Kmenta (1986) and is therefore also referred to as Parks-Kmenta or Kmenta's "cross-sectionally correlated and time-wise autoregressive" model. The SUR/FGLS estimator was proven to be efficient under certain conditions.

⁷ All Australian ADRs were estimated jointly, except for the 1997-2000 period where the country fixed effect was preferred. The country fixed effect was used as a control variable (Elliott et al., 2003).

⁸ See Verbeek (2000) for a detailed discussion of the SUR/FGLS estimator.

⁹ The Wald test was derived from the asymptotic distribution of the maximum likelihood estimator and the null hypothesis is $H_0: \phi = \gamma = 0$. Failure to reject the null hypothesis indicates that the estimated ADR returns are not significantly different from zero. The underlying equation 3 on page 3 of the paper is used to estimate the ADR returns for three sample sub-periods (1990-1993, 1994-1996 and 1997-2000).

¹⁰ Test for panel heteroskedasticity and cross-sectional correlation were not conducted on countries for which we only have one ADR issuing firm (Denmark, Finland, France, and Norway). OLS is reported with heteroscedasticity consistent standard errors and covariance results which are equivalent to SUR/FGLS estimation with just one cross-section in the pool (Kmenta, [1986](#)). These cases are indicated in the result tables as OLS-HCSEC in the row representing the number of cross-sections used in estimation.

¹¹ Equation [3](#) was also estimated with exchange rate, the US and the home stock market index orthogonalized on each other for the full sample period with an aim to remove influence of the exchange rate on both market index. Results were consistent with those reported in [Table 2](#).

¹² Although our estimation procedure is generally robust to non-synchronous trading, the observed underreaction to the underlying share and exchange rate and overreaction the US and home stock market indexes could be due to: (a) herd behaviour, (b) arbitrageurs, (c) access to investment information, and (d) convertibility of ADRs to underlying share.

Related Research Data

Diver
condi
Sourc
Linkin

× Economic

Re



Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Keep up to date

Register to receive personalised research and resources by email

 Sign me up



Copyright

Accessib

Registered
5 Howick Pl

or & Francis Group
orma business

