

Applied Economics Letters >

Volume 19, 2012 - [Issue 7](#)

237 Views | 1 CrossRef citations to date | 0 Altmetric

Original Articles

The optimal call policy for convertible bonds: Is there a market memory effect?

Chris Veld  & Yuriy Zabolotnyuk

Pages 661-664 | Published online: 25 Jul 2011

 Cite this article  <https://doi.org/10.1080/13504851.2011.593494>

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

 Reprints & Permissions

Read this article

 Share

Abstract

This article examines the market memory effect in convertible bond markets. We look at the pricing of convertible bonds issued after the original issuer redeemed previous issues without giving an opportunity for investors to benefit from bond value appreciation. We find evidence that the market underprices new convertible bond issues of firms that called their previous convertible bonds early compared with new convertibles bonds of firms that called their previous convertibles late.

Keywords:

convertible bonds

optimal call policy

market memory

JEL Classification:

G12

G30

Acknowledgements

The authors gratefully acknowledge the comments of Avi Bick, Eric Duca, Marie Dutordoir, Rob Grauer, Bruce Grundy, Robbie Jones, Peter Pham, Yuliya Plyakha, Yulia Veld-Merkoulova and Patrick Verwijmeren, and comments from participants at a seminar at the University of Melbourne (April 2010), the Conference of the British Accounting Association in Dundee (April 2009), the Multinational Finance Conference in Crete (June 2009), The Finance and Corporate Governance Conference in Melbourne (April 2010) and the International Conference on Economics and Finance in Izmir, Turkey (April 2011). In addition, Chris Veld gratefully recognizes the financial support of the Social Sciences and Humanities Research Council of Canada. The usual disclaimer applies.



Related research

People also read

Recommended articles

Cited by
1

[Convertible Bonds: Model, Value Attribution, and Analytics](#) >

Thomas S.Y. Ho et al.
Financial Analysts Journal
Published online: 2 Jan 2019

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 © 2026 Informa UK Limited [Privacy policy](#)

[Cookies](#) [Terms & conditions](#) [Accessibility](#)

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG

 Taylor and Francis
Group