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Chapter I: Introduction

The FTSE 250 is a price index and represents 17 percent of the market capitalization of the London Stock Exchange (LSE). The index is calculated solely on the basis of stock prices and only to income from stock options and bonuses adjusted dividend payments are not included in the calculation of the index. Corporate actions such as stock splits do not have a (distorting) effect on the index. The calculation is performed while the LSE trading from 8:00 to 16:30 local time (9:00 to 17:30 CET) in real time updated and published every minute.

The investment universe includes all companies with headquarters in the UK, which are listed on the London Stock Exchange. To create a selection list, companies are classified according to the investment universe of the market capitalization of descending rank 350 to 101. The composition of the FTSE 250 is reviewed quarterly in March, June, September and December. The index started on 31 December 101, with a base value of 1412.60 points.

For a long time, researchers thought int the efficiency of financial markets implies the constancy of expected returns and therefore the tempredictability. In recent decader, (b) where to the resign take predictability of returns on financial assets is not necessarily inconsistent with the theory of efficient markets. Variability in the rate of expected returns on financial assets is necessary to compensate the risks associated with these assets. Even the theoretical models of asset pricing such as CAPM (Capital Asset Pricing Model) and the CCAPM (Consumptionbased Capital Asset Pricing Model) imply that variability in expected returns.

Economists have tried to derive algebraic relations linking the expected returns in financial and macroeconomic variables. Campbell and Shiller (1988), for example, have shown the existence of a relationship that binds the log dividendprice ratio to expected excess returns. These relationships are the justifications of a desire to empirically test the power of these variables to explain (see predicting) the returns of financial assets. Empirical studies made on the issue of predictability yield results confirming or refuting its existence. Most of the articles that confirm (Fama and

The relationship between information, especially if unexpected, and movements of the markets once again binds to the methodological reflection 'classic' of the relationship between facts and theories. Most studies on informationmarket movement considers conditional means and variances (with univariate or multivariate structures Var, Garcia, etc..) Within a population of agents who all have the same idea on the same link. The information is thus move the market in a certain direction and this movement can be measured an impulse function.

Behind this idea is the hypothesis, derived as stated by the New Classical Macroeconomics, that rational agents make choices based on the 'true model' (and only) the economic system corresponding precisely to the model proposed by the NMC itself. This hypothesis is precisely what is being denied the existence of a financial market.

However, there are several theories that contend the economic agents with mixed success and changing. Each new fact is read by the various agents in the light of the theory to which they refer. There are thus two aspects:

a) outside of a theory, an event (a) not be understood On this theory of the NMC would also agree (cally that they consider incompatible with the hypothesis of rationality of agents that dimercut subjects follow different theories;

b) the existence of different theories that provide different behaviors when an event has an impact across the market. This is again the reflexivity, Soros. The final outcome of an event (embedded information) on the market and the economy depends on how they react to economic agents, or the theories they have available.

The history of philosophy of science, briefly outlined above, has taught us that there is no irrefutable method of choosing between rival theories. This means that it is possible the coexistence of conflicting theories even without denying the rationality of agents (on the other hand, because otherwise the banks would keep 'fundamentalists' and experts with technical analysis).

(1.2.3)
$$\begin{split} & \approx r \\ & (1.2.3) \\ \delta_{t} \\ & + \rho r_{t+2} + \rho^{2} \delta_{t+2} - \Delta d_{t+1} - \rho \Delta d_{t+2} - k - \rho k \\ & \delta_{t} \approx r \\ & + \dots + \rho^{i} r_{t+i+1} + \rho^{i} \delta_{t+i} - \Delta d_{t+1} - \dots - \rho^{i} \Delta d_{t+i+1} - k - \dots - \rho^{i} k \end{split}$$

By imposing the condition $\lim \rho^{i} (d_{t+i} - p_{t+i}) = 0$, we can solve the equation on can solve the equation (1.2.3) à

long term and we obtain:

(1.2.4)
$$\overset{\infty}{}_{j} \frac{k}{r_{t+j} - \Delta d_{t+j}} - \frac{k}{1 - \rho}$$

This equation represents the dynamic model Divideral Cooch and we show that if the dividendprice ratio is high, agents will an upper higher rations from their portfolios or low dividend growth. The Halloween micrator

The custom Sell in May and go away, also known as the Halloween indicator, seems to have very deep roots in time, especially in Europe, where it has been known since 1694 [75]. This is a strong seasonal effect that stock returns should be higher in the period from November to April, than in the period between May and October. Bouman and Jacobsen (2000) we find evidence in 36 of the 37 markets studied in the United Kingdom and even if such evidence is stronger, we can say that the European continent in general, the summer holidays seem to bring a strong seasonality of returns.

Weekend effect (or effect Monday)

weather sometimes more appropriate than that provided by television, since these forecasts are based economy on the interest of all those who have taken positions in derivative products written on perishable goods which is linked to precipitation [79]. The effect of S & P 500 has been documented by Harris and instead Gürel (1986) and Shleifer (1986).

These authors found a surprising premium, more than 3 percent, tied the announcement of the inclusion of a title within the S & P 500. This type of abnormality contributes to shoulder the EMH, since the announcement of a listing within a directory, it is an information, but without any new content, and therefore this evidence constitutes an important exception efficiency assumption of the theory regarding the incorporation of information into prices. Finally, another anomaly was bought is called the small firm effect, or effect size. Among the first to speak was to Reinganum (1981), who explains that the riskadjusted performance of smallcap companies is on average higher by 20 percent.

Many empirical studies have focused on the informational calibratic of financial markets 1. Fama (1965) gives the first definition of market efficiency A financial market is said efficient if and/or b if all available information for each financial asset traded on this market is immediately informated into the price of this asset. This hypothesis of efficiency can be maryzed at different levels.

Thus, Fama (1970) distinguish three forms of efficiency: efficiency in the weak sense (weak hypothesis) efficiency under semistrong (semistrong hypothesis) and finally the efficiency in the strong sense (strong hypothesis). These three forms of efficiency differ in the information content which they refer. The definition given by the informational efficiency is based on Fama several assumptions rarely verified in practice.

This led Jensen (1978) to give a less restrictive definition of the efficiency of financial markets are now deemed efficient markets in which asset prices quoted include the information about them so that an investor can, by buying or selling this active, make a profit higher than the transaction costs generated by this action. This definition focuses on the fact that economic agents present in the financial market can not

engage in arbitrage, ie profits without risk. Following Fama (1991), it is important to note that the hypothesis of efficiency is not directly testable in that it is necessarily tested in conjunction with a model of price formation.

The null hypothesis is a hypothesis and attached including the efficiency and validity of the model training courses. Consequently, when one rejects the null hypothesis, we are not able to know if one rejects the efficiency or the evaluation model considered. We are interested in the weak form of efficiency in which all Informational includes past values of the variable of interest. This hypothesis is frequently equated with the hypothesis of random walk in stock prices.

For understand this hypothesis, various tests are available, such as walking tests random courses, autocorrelation of returns or predictability from other variables. Studies of this kind of efficiency are numerous, Fama (1965), Solnik (1973) show, respectively, in the U.S. market and markets Europe we can not question the efficiency in the weak sense on the whole these markets, it is the same for Fontaine (1990) or Mignon (1998) on different indices.

However, few of these stucied use data intraday. We appeal here to register us in such a frameworkey seeking to whether it copossible to predict future returns. Our study focuses on the series intraday returns of securities listed on the Paris stock exchange (CAC40 and MIDCAC) the period January 1999 to December 2000. To this end, the article is divided into three sections. We present the first section tests used in the empirical analysis of the return series. In a second section, we explain the construction of our database.

A brief presentation of the tests In accordance with the definition of efficiency in the weak sense, it is impossible to predict future returns from past returns. The tests commonly used to understand this hypothesis are those of random walk and autocorrelation.

This test has the advantage of being objective and easily measured by researchers. A second criterion is the frequency review.

The idea here is to consider an analyst revises his information new. More inform without it, the more it is required to review and therefore the better the quality its forecast. This test meets the first since in this case, if the forecast is not systematically biased, its predictions should appear ex post more accurate. This criterion is not used in the literature because it can be influenced by other parameters.

For example, sellside analysts are advised to frequently review generate brokerage and revisions are based not on information consistently reliable. In addition, an analyst may also be required to revise its forecast because it does not follow with all the attention that should be valued and reviews all simply in the sense of consensus in order not to stand out. For these reasons particular, this criterion should be used sparingly. The last test is interested in the impact of broadcasts recommendation or revisions of analysts Financial share prices.

The best analyst is one who has more powere the market in the sense that its opinion would have systematic unimportant lesson securities on which it gives its opinion. We could the first or gurus describe these analysts to power important. The latter joined the first criterion of New since the authority of an analyst is essentially the quality of recommendations it issued in the past and his work as an analyst. The main So research focuses on the quality of financial analysts' forecasts Stickel (1992) is the first to have highlighted significant differences between the prediction capabilities of analysts interested in the ranking of analysts by the trade journal American Institutional Investors. This is a review professional as the Wall Street Journal, Euromoney or AGEFI made in France publish annually a list of the top analysts in a sector. This record is the result of a survey of portfolio managers who are asked to appoint the best analysts of the year.

The problem with this type of record is they are like beauty contests with strategic behavior analysts can remember the good memories of managers before they disclose their opinion. It is therefore important to know whether the analysts in these charts actually did better than forecasts of analysts there not appear. Stickel's approach is to

Mean	3.41	2.41	2.22	1.84	1.78
Median	2.93	1.93	1.82	1.44	1.24

For FTSE 250 businesses, securities lending turns down monotonically with instability, as expected. However, for FTSE 100 businesses, the fifth quintile (lowest volatility) displays a amazingly powerful (in detail the highest) percentage of securities on loan. The identical convention is glimpsed if an 11 day time span round the bonus record designated day is encompassed or omitted, proposing that bonus arrest does not interpret this pattern.

Closer written check discloses that certain commerce parts (especially utilities, banks and brewers) override the register of securities with reduced instability but a high percentage of securities on loan. These parts are inclined to have aboveaverage yields, with profits that have larger than mean interestrate sensitivity. UK shorteen concern rates were increasing, and the yield bend was flattening concluse time span of the study. This might interpret why shortsellen have anned at these interestrate perceptive parts, regardles contrepreduced volatility Discussion

Chen and Singal (2003) contend that numerous shortsellers close their places on Fridays, before the weekend dealing stop, and reestablish their short places on Mondays, assisting to the socalled Weekend Effect (or convention of better comes back on Fridays relation to Mondays). They find a considerably more powerful 'weekend effect' for supplies with larger shortinterest relation to portions outstanding. However, Angel et al. (2003) manage not find any 'day of the week' result affiliated with shortselling for their sample. We enquire our database for patterns that might permit moneymaking dealing strategies.

A limitation affiliated with our database is that when shortsale places are shut, the scrounged securities might be kept so as to reestablish the short place in the beside future, rather then returned to the borrower. Also, securities can be scrounged in

anticipation of short selling. As an outcome, the lend facts and numbers therefore might not completely disclose the closure and reestablishment of short positions.

We assess the signify number of portions on lend for each day of the week for the full dataset. We manage the identical for supplies displaying the largest percentage of portions on lend, by taking the largest deciles of supplies by percentage of portions on loan. Three of these 35 supplies were presented to the dataset part way through the experiment time span we eradicate these and assess the every day entails for the 32 residual stocks.

We furthermore assess every day entails for the 35 nondividend giving supplies only, so as to eradicate any disturbance due to bonus levy arbitrage. Further, we take the largest quintile from these 35 nondividend giving stocks. Two of these 7 supplies were presented to the dataset part way through the experiment time span – we eradicate these and assess the every day entails for the 5 residual stocks. Results are shown in Table 8 below:

Table 8. Daily Proportion of Shares on Darby Day of the We

	5 A N							
Statistic	N C C Y	Page	Wednesday	Thursday	Friday			
A. Full Dataset (352 companies)								
Mean	2.78	2.78	2.78	2.80	2.81			
B. Top Decile by Proportion of Shares on Loan (32 companies)								
Mean	7.87	7.86	7.85	7.89	7.90			
C. NonDividend Paying Stocks Only (35 companies)								
Mean	3.28	3.27	3.27	3.27	3.28			
D. Top Quir	ntile by Proportio	n of Shares on Loa	an amongst NonDivi	dend Paying Stoc	cks (5 companie	es)		
Mean	7.54	7.55	7.54	7.53	7.54			

The website fool.com who developed this ratio provides the following table:

PEG Recommendation < 0.65 purchase between 0.65 and 1 buy on the downside of the title between 1 and 1.3 sell up if the title >1.3 sell Build on the average results of past exercises to calculate it.

Equity ratios: ROA

ROA (return on assets) = Net margin (net income / sales) * turnover rate of economic assets (sales / (fixed assets + working capital))

ROA is also known as economic efficiency.

otesale.co.uk Economic efficiency measures the effective their assets into Prifits. high ROA are more able to nte

In general, companies with a normagin have a high turnover rate of economic assets low, as their products offer a significant margin, they can be stored longer (sector: luxury, jewelry).

However, distribution companies generally have a high turnover of active high (reduced inventory and fewer receivables) and achieve a higher ROA (net margin even with a low to medium).

The ROA is interesting but it does not take into account the leverage of corporate debt.

Equity ratios: ROE

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