Editorial

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Biographical notes: Chrysovalantis Gaganis is Assistant Professor (elected) at the University of Crete, Visiting Fellow at the University of Bath School of Management, and External Research Associate at the Applied Research Group in Finance, Regulatory Reform & Development of Coventry University Business School. He has published over 25 papers that appeared in various journals such as *Review of Quantitative Finance & Accounting*, *European Journal of Operational Research*, *Omega*, *Financial Markets Institutions and Instruments*, *Applied Financial Economics*, etc. In 2008, he received the 'Emerald Literati Network Highly Commended Award'.

Panayiotis Theodossiou is a Professor of Finance at the Cyprus University of Technology. He has held numerous positions of responsibility such as Dean of the Faculty of Management and Economics, member of the Governing Board of the CUT, Founding President and executive board member of the International Scientific Organization Multinational Finance Society, and Editor of the *Multinational Finance Journal*. He was a Professor of Finance for 18 years at the University of Rutgers, USA. He has published papers in many international journals such as *Review of Financial Studies*, *Management Science*, *Journal of the American Statistical Association*, *Quantitative Finance*, *Review of Quantitative Finance and Accounting*, *The Financial Review*, *Journal of Financial Research*, *Journal of Business Finance and Accounting*, etc.

This special issue of the *International Journal of Banking, Accounting, and Finance* brings together five papers that were presented at the 16th Multinational Finance Society Conference in Crete in 2009. All the papers were accepted for publication after a rigorous double-blind review process. The first three papers use an event study methodology to examine the existence of abnormal returns that surround various events in the financial markets. The next two papers, examine two issues that are of interest to financial management, namely institutional investments, and default prediction.

In the first paper, Liu, Mantecon and Szewczyk, focus on them market reactions to equity analysts recommendations. Using a large sample of 385,342 initiations, upgrades,

and downgrades during 1980–2008, and the Fama-French three factor model they examine both the short and long term reactions. Their results show that there are significant positive (negative) announcement abnormal returns following upgrades (downgrades); however they only find a significant drift following downgrades. Turning to initiations, the results show that neutral rating are followed by significant negative abnormal returns, as well as a significant drift for initiations with sell or strong sell.

In the second paper, Ben-Zion, Galil, Rosenboim and Shabtay, examine the stock market response to non-equity and minority equity strategic alliances. In the first step of the analysis, the authors use an event study methodology to measure the abnormal stock market returns. In the second step, they attempt to shed some further light on the abnormal returns phenomenon by exploring whether and how the returns are influenced by various characteristics of the strategic alliances. The authors find that the immediate positive response of stock markets to new strategic alliances is followed by negative abnormal returns, whereas 20 days after announcements, a cumulative positive abnormal return is only evident for those firms with the highest stock market response to the announcement. They also reveal that while the stocks of firms with several characteristics (such as high-tech, small size and participants in alliances focusing on current markets) exhibit a higher positive response to new alliances, none of the tested characteristics is able to predict a positive abnormal return beyond the 20-day period.

The third paper provides a study on the effect of the April 2005 Australian minimum price variation (tick size) reform on market quality. The authors develop five hypotheses to examine the impact of the reduction in the minimum price variation on:

1   the bid-ask spread

2   the depth at the best bid and ask prices

3   the cumulative depth throughout the limit-order book

4   the trading activity

5   the level of order exposure.

The results show that the reform resulted in lower quoted spreads, displayed market depths, and market depth in the limit-order book, while it had no impact on the trading activity the order exposure.

In the fourth paper, Groh and Von Liechtenstein investigate the determinants of institutional investors when deciding about international capital allocation in venture capital and private equity limited partnerships. The most important contribution of the study is that the authors assemble a hand-collected dataset using a questionnaire completed by 75 limited partners. A number of interesting conclusions emerge from the study. The protection of property rights, the need to find local quality general partners, and the quality of management and skills of local entrepreneurs appear to be the most important criteria for international asset allocation. The expected deal flow, bribery and corruption, also play a role in the decision making, whereas public funding and subsidies, IPO activity and the size of local public equity market are not important for the international allocation process.

The special issue closes with a paper by Rikkers and Thibeault, which adds to the default prediction literature in two ways. First, in contrast to most of the previous studies that examine large firms, they focus on small and medium-sized enterprises (SMEs). Second, they investigate the use of an alternative approach to incorporate industry effects

in the default prediction models, namely the weight-of-evidence (WoE). Their results from the Dutch market indicate that financial ratios of SMEs differ between industries, with the industry measured by the WoE variable being a significant factor in the default prediction of SMEs. The out-of-sample testing of the models indicates that a generic model is a good predictor of default for SMEs that operate in the manufacturing and trade industry; however, default in the service industry can be predicted more reliable with an industry specific model.