Securities Analysts Journal

【 August 2022. Vol.60 】

Feature Articles

This month's focus: Behavioral and Experimental Finance?

Frontier of Research in Experimental Finance

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This article introduces the frontier of experimental finance research. In particular, it discusses two sets of experiments, one about investment in structured financial products and another about price forecasting, which the author and his collaborator have conducted in which not only university students but also many CMAs have participated.

Individual Characteristics and Investment Performance of FX Margin Trading; Analysis Based on Survey and Trading Data

Kentaro Iwatsubo
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This paper investigates the relationship between individual characteristics such as cognitive ability, non-cognitive ability, and behavioral biases and investment performance in FX margin trading by linking questionnaire surveys and trading data recording trading history for each investor. We find that individual investors with a higher degree of overconfidence relative to others (better-than-average effect) have poorer investment performance, but this is not due to a higher number of trades as existing research suggests, but rather to higher leverage and a greater number of currencies traded.

Article

Text Analysis in Financial Reporting Research

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The declining value relevance of accounting information, the explosion of non-financial information, and the development of text analysis techniques have led to an increase in text analysis in financial reporting research. This paper reviews an overview of text analysis to date and uses text mining techniques to analyze the relationship between the tone/readability of MD&A, risks, and issues to be addressed in financial reports and medium-term future performance.

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Article

The Carbon Premium in the Tokyo Stock Exchange

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This paper empirically examines whether GHG emissions affect the cross-section of Japan's stock returns using various GHG emission data sources. We find that there is a negative premium with respect to scope 1 emissions intensity (emissions per sales).This negative premium remains statistically and economically significant after controlling for other known risk factors.

Our results imply that investors do not demand compensation for their exposure to carbon emission risk in Japan, unlike the US.