Paolo Mottura

Editor’s Notes

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As the Co-Editor in Chief of the renewed Editorial Board of The Journal of Financial Markets, Management and Institutions, I am delighted to present the new issue of the JFMI.

Following our tradition, this last issue of 2016 includes peer-reviewed papers, as well as invited papers. I believe that, consistent with the overall aims and scope of the Journal, all of these articles provide new insights that contribute significantly to advancing knowledge regarding the broad field of finance.

In particular, in this issue a special attention is devoted to evolutionary trends in the field of risk management, assuming in a well-structured sequence of contributions the perspective of institutional investors in securities traded in the capital markets, of corporate entities with worldwide competitive scope and, finally, of banks with risky loan portfolios.

The first paper of the issue, presented by Enrica Bolognesi and Emanuele Pividori, deals with the highly debated topic of designing efficient market portfolios, proposing an index construction methodology based on several business fundamentals able to describe a firm's «economic footprint». The Authors empirically test their approach focusing on the European stock markets over the 1999-2013 period and provide evidence suggesting the opportunity for investors and asset managers to simplify the standards index-weighting schemes.

In the second paper, Elenora Isaia, Paola De Vincentiis and Alessio Bongiovanni test the information content and forecasting power of the Chicago Board Options Exchange Volatility Index (VIX) in different time periods. Furthermore, by analyzing the value-at-risk for a hypothetical stock indexed portfolio using alternative volatility measures, the Authors provide empirical evidence for the risk management potential of VIX.

The Authors of the third paper – Daniele Previati, Giuseppe Galloppo and Mauro Aliano – investigate the relation between portfolio concentration and the performance of Asian emerging market equity funds. Their findings reveal that the relation between portfolio concentration and fund performance is more complex than the one documented in earlier studies, and have significant implications for mutual fund investors. Indeed, when investors are called to make a choice for picking best-performing funds, they should consider in particular the tracking error level.

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The fourth contribution is an invited paper from Stefano Bonini, Maurizio Dallocchio, Philippe Raimbourg and Antonio Salvi, investigating the translation risk hedging strategy of multinational companies. Authors find that the translation risk hedging decision is a long-term, persistent choice by companies. Among the major results, it comes out that hedgers are dominant in northern Europe, whereas non-hedgers prevail in southern Europe, South America and Asia. Hedgers adopt a variety of instruments from balance sheet hedging to derivatives. Derivatives are more common among United States GAAP adopters, whereas loans and mixed solutions are preferred among multinationals either adopting IFRS or local accounting principles.

Finally, Andrea Resti accepted our invitation and offers a paper discussing the proposal for a reform of internal rating models recently outlined by the Basel Committee proposing: (i) the removal of internal models for «low-default portfolios», (ii) additional constraints on internal models' estimates called «input floors», and (iii) «output floor» tying the capital requirements generated by internal ratings to those that would emerge from the standardised approach. The Author argue on the effectiveness of such measures and suggest a number of alternative supervisory actions to restore internal models' credibility, without causing an excessive burden for banking authorities.

My gratitude goes to all the above-mentioned Authors that have submitted their research papers to the JFMI and that have successfully completed the reviewing process, as well as to all the Authors that accepted our invitation offering precious research insights.

At the conclusion of the year, special thanks go to the reviewers that have contributed to all of the papers submitted to JFMI: we listed all of them at the end of the issue. Their commitment allows the journal to utilize an international community of helpers, that is essential in supporting the Editorial Board to grow its visibility and capability to contribute to the ongoing debate about the role and expected trends of finance with high quality articles.

In ending this editorial note, I am happy to announce that starting from the first issue of 2017 the new Editor-in-Chief of the Journal will be Prof. Santiago Carbó-Valverde, with my support as Co-Editor in Chief. I am sure this change in leadership marks the beginning of a new stage of development as we seek to further increase the reputation of JFMI within the scientific community as well to build on international network for the journal to achieve higher standards of publication.

We look forward to work with all of you as we continue to make JFMI a success and we welcome your submissions, as well as feedback as authors, readers, and reviewers of the journal.

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