Journal of Applied Economics and Business Research
JAEBR, 2(1): 1 (2012)

Editorial Foreword

Farrukh Suvankulov

This issue of the Journal of Applied Economics and Business Research (JAEBR) features four articles that discuss financial development in the largest emerging markets. The first article attempts to explore empirical relationship between crude oil prices and stock performance in India for the period spanning from April 2000 to June 2011. Using the autoregressive distributed lag model the author reports that volatility of the stock market has a statistically significant impact on volatility of the crude prices. Interestingly, the reverse relationship does not hold.

The second article assesses performance of Islamic mutual funds in Indonesia and Malaysia. Using snail trail methodology and a set of performance indices the authors report that Malaysian Islamic stocks outperform the Indonesian Islamic mutual funds both over the entire time framework as well as during the period of global economic crisis. The authors report that conventional risk-return relationship holds stably for Islamic mutual funds in two countries. Finally, this study finds that market timing ability of investment managers of Islamic mutual funds in the two countries is unable to significantly increase returns. Given an increased role of Islamic finance across the globe the reported findings carry significant implication for investors and traders.

The third article originates from Turkey, a rising power in the emerging world. The study explores the relationship between changes in foreign exchange rates (Euro/TL, GBP/TL, JPY/TL, CHF/TL, USD/TL, CAD/TL, SA/TL) and the main composite index at Istanbul Stock Exchange by employing monthly data spanning from January 1999 and November 2011. The Augmented Dickey Fuller and other techniques of time series analysis that changes of Turkish lira against U.S. Dollar and Canadian dollar are positively related to changes in ISE 100 whereas fluctuations of domestic interest rates and Saudi Arabia Riyal have a negative impact on the index. The article is distinctive in two ways. First, it crucially contributes to the literature on relationship between stock market and foreign exchange rate in emerging markets. Secondly, it goes beyond Euro/TL and USD/TL paradigm by incorporating into analysis a set of other currencies that have become increasingly important for Turkish economy but rarely have been used in the literature so far. The fourth article uses data envelopment analysis to investigate the financial performance of small-scale firms in Assam, India. The author concludes that Assam based firms are disadvantaged with regard to immediate profitable opportunities rather than by shortage available funds. Overall, the article offers a significant contribution to the application of non-parametric analytical tools in Indian context.

I would like to thank you for your interest in JAEBR and sincerely hope that you will enjoy reading this issue.

 ISSN 1927-033X