

ABSTRACT

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This thesis examines macroeconomic news announcements and option-implied information. The thesis consists of an introductory chapter and four essays. The first essay of the thesis evinces a new explanation for the turn-of-the-month and intramonth effects. In particular, the results of this essay show that the anomalies arise from the important macroeconomic news announcements that are released systematically at the beginning of the month. In this essay, option-implied volatilities are utilized to account for the increased predictable risk associated with the important news announcements. The second essay of the thesis examines the impact of US and UK macroeconomic news announcements on option-implied stock market expectations, as measured by the return distribution implicit in FTSE-100 index option prices. While the existing literature has examined on the impact of news on the second moment of the option-implied stock return distribution, i.e. implied volatility, this essay examines its impact on the entire option-implied stock return distribution. It is found that the higher order moments of the option-implied stock return distribution are also affected by macroeconomic news announcements. The third essay utilizes option-implied stock return distributions to examine market participants' expectations across the week. As explanations for the day-of-the-week anomaly it focuses on the impacts of clustered information, as measured by US and UK macroeconomic news announcements, and the investors' learning process hypothesis. The results of this essay show that clustered information and investors' learning process explain much of the anomaly. The fourth essay of the thesis examines stock market integration from an ex ante perspective. In particular, the linkages of the implied volatility term structures of the newly developed European stock volatility indices are analyzed. It is found that the indices investigated, i.e., VDAX, VSTOXX and VSMI volatility indices, are closely linked to each other. Moreover, the findings of this essay show that the implied volatility term structure of the VDAX leads the others.

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Key words: macroeconomic news announcements, clustered information, learning process hypothesis, option-implied information, implied volatility, implied skewness, implied kurtosis, implied probability stock return distributions