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Regional securities exchange

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ABOUT THE STUDY

Regional Securities Exchange (RSE) is a private company established on December 18, 1996, but which began operations on September 16, 1998. Its mission is to organize the stock market, disseminate market information and promote the market. The regional financial exchanges of Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal and Togo form the West African Economic and Monetary Union. RSE is an order-driven centralized spot exchange, that is, the price of a security is determined by comparing the buy and sell orders collected before listing. In the beginning, I had three trading hours a week, Monday, Wednesday, and Friday. The price is fixed in a fixed period, which will gradually become a continuous process. A second order is placed before the end of the trading session, so that the "unlisted" and/or "reserved" securities that were placed on the stock market for the first time can finally be traded.

The RSE has an electronic system and a satellite network that allows brokerage firms to send orders from various WAEMU member states to a central site in Abidjan, Ivory Coast. At the beginning of operation, RSE has two parts for stocks and one part for bonds: The first part of stocks is reserved for at least five certified annual accounts with a market value of more than 500,000,000 at least 20%. The AFC stands for African Financial Community and is the common currency shared by the 8 WAEMU member states. 1 Euro=655,957 AFC francs, calculated at a fixed exchange rate. Medium-sized companies with a market value of at least 200,000,000 AFC francs and a two-year registered account can access the second part of the shares and promise to distribute at least 20% of the capital, or 15%, to the public within two years. In the case of an increase in the capital stock; the bond portion can be accessed through bond loans, where the total number of issued shares is greater than 25,000 shares, and the face value of the shares is at least 500,000,000 AFC francs.

The study used the weekly stock price data in the RSE Official Bulletin from January 4, 1999 to July 29,2005 to test the offset of risk and return within the EGARCH in Mean frame work. It shows that the correlation coefficient between conditional market returns and conditional volatility is positive, but it is not statistically significant. This result is consistent with the results found in mature markets, but it is not consistent with the positive and statistically significant risk-reward tradeoffs stipulated by financial theory. The results also show that volatility is persistent, but contrary to Nelson's EGARCH model, there is no leverage effect.

A statistically insignificant positive risk-reward ratio indicates that investors are not getting rewards for the risks they take in RSE. Although this result is inconsistent with portfolio theory, it may be due to the tax treatment of interest income and dividend income, as well as lower corporate earnings performance. The fact that stock market movement cannot be used to predict RSE stock returns means investors need to pay attention to other macroeconomic and financial determinants of stock returns. The fact that volatility persists, that is, periods of high volatility and low volatility tend to last, signifies the inefficiency of RSE, because the persistence of volatility means, the risk-reward balance changes predictably in the business cycle, persistence can be used to predict future economic variables. In view of the fact that market inefficiency will affect consumer and investment expenditures, thus affecting the overall performance of the economy, market supervision departments should improve the technical organization of the market and encourage listed companies to provide regular reports as a policy to improve efficiency.