Editorial

This special issue of *Finance a úvěr-Czech Journal of Economics and Finance* offers a selection of three papers presented at a conference that was held at Ghent University in September 2015 on the topics of institutional investors and emerging markets finance. A fourth paper has been added to this special issue because of its excellent fit with the subject matter. The papers have gone through the regular refereeing process of this journal and have been revised on the basis of comments and discussions at the conference as well as comments from anonymous referees.

Institutional investors and emerging market finance are two topics which are closely linked. Capital flows to emerging markets have recovered from the low levels of the 1980s, interrupted only by the Asian and the Russian financial crises in 1997 and 1998, respectively. At the same time, their composition has changed from bank lending, which dominated in the 1970s, to a more balanced structure including a large share of direct investments, bonds and portfolio investments. As a main driver, institutional investors play an important role for the financial markets of emerging economies and their importance can be expected to further increase.

On the other hands emerging markets have gained importance for institutional investors seeking diversification and higher returns. Both motives became more important in times of both financial crises and notoriously low interest rates in developed economies. However, the benefits of diversification have become questionable with the increasing integration of developed and emerging financial markets.

This special issue addresses various aspects of this interrelationship.

In their paper "*US Dollar Carry Trades in the Era of Cheap Money*", Ali Shehadeh, Peter Erdös, Youwei Li and Michael Moore analyze the relationship between the recent loose monetary policy in developed economies and patterns in carry trades. Using a unique dataset of actual USD forward positions versus a number of emerging- and advanced-market currencies, they find that commodity trading advisors follow different trading strategies for emerging- and advanced-market currencies. For emerging-market currencies, the trading patterns are consistent with carry trading, i.e. the lower-yielding currency (the USD) is associated with short positions and *vice versa*. An interpretation of this phenomenon is that this carry trading pattern is induced by the expectations that the lower-yielding currency will not actually appreciate on average as much as the forward rate implies or it will even depreciate. For advanced-market currencies, on the other hand, they find that the reverse holds. They interpret this as a pattern of "fundamentals-based" trading, which is consistent with the uncovered interest parity condition, i.e. the lower-yielding (higher-yielding) currency is associated with more long (short) positions.

Henryk Gurgul, Łukasz Lach and Tomasz Wójtowicz analyze the "*Impact of US Macroeconomic News Announcements on Intraday Causalities on Selected European Stock Markets*" using data from the stock markets in Frankfurt, Vienna and Warsaw. They find a dominant role of the stock exchange in Frankfurt when no US news is released: When only European and Asian markets are open and no important news from the US economy is expected, the reaction of large developed European stock markets, such as the Frankfurt Stock Exchange, is the main source of infor-

mation for investors on smaller markets, particularly those in Central and Eastern Europe, i.e. returns in Vienna and Warsaw tend to follow returns on the FSE. While the Frankfurt Stock Exchange remains the dominant exchange in the sample, there seems to be some information flow from Warsaw as well.

In their paper "*The Role of the Real Exchange Rate for Credit Growth in Central and Eastern European Countries: A Bank-Level Analysis*", Michael Frömmel and Murat Midiliç look at the drivers of domestic credit in 14 Central and Eastern European countries. Taking into account the ownership structure of 1,777 banks, they find a strong link between credit growth on the one hand and economic activity, growth in banks' leverage and the real exchange rate on the other hand. Ownership matters in the sense that the link between credit growth and economic activity is particularly pronounced for state-owned banks, whereas the real exchange rate plays a more prominent role for foreign banks. Furthermore, they find that the exchange rate regime seems to be less important.

Stefan Lyocsa, Peter Molnár and Igor Fedorko, the authors of "*Forecasting Exchange Rate Volatility: The Case of the Czech Republic, Hungary and Poland*", study various models for forecasting the one-day-ahead volatility from ultra-high-frequency exchange rates of the Czech koruna, Hungarian forint and Polish zloty against the euro, for which the heterogeneous autoregressive (HAR) model turns out to be the best choice. Extensions, such as introducing jumps and adding regional or global volatility or multivariate HAR models, do not improve the quality of the forecasts. Finally, the study does not find strong evidence for volatility spillovers.

I would like to thank all those who contributed to the success of the conference. First of all, I would like to thank the European Commission, which funded the conference as a part of the project "The Efficiency of Futures Markets". This project, included in the European Commission's Marie Curie Actions Industry-Academia Partnerships and Pathways (IAPP), is a cooperation program between Ghent University (Belgium), Queen's University Belfast (United Kingdom) and the alternative investment specialist RPM Risk & Portfolio Management AB of Stockholm (Sweden). Second, I would like to thank the Program Committee, discussants and referees, who helped with the selection of papers and provided valuable input for their revisions, as well as the presenters and attendees who added to the success of the conference. Furthermore, I wish to express my gratitude to Lukas Menkhoff of Humboldt University in Berlin and Lucio Sarno of Cass Business School for providing us with excellent keynote addresses. My special thanks go to Roman Horvath, the editor-in-chief of this journal, who offered me the opportunity to publish this special issue as a guest editor and coordinated the process. Last but not least, I owe thanks to Ms. Sabine Dekie of Ghent University for her support in the practical organization of the conference.

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