

عنوان مقاله:

Asymmetric Reaction of Investors to Market Risk, Illiquidity Risk, and Credit Risk: Evidence from Tehran Stock Exchange (TSE)

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خلاصه مقاله:

The relationship between risk and return is not symmetric under different circumstances. As the prospect theory describes, the value function which passes through the reference point is steeper for losses than gains (asymmetric risk appetite). But such an asymmetrical risk aversion could be traced in different periods of investment and market boom and bust cycles behind the reference point. Moreover, investors' asymmetric behavior is different regarding various risks, such as market risk, illiquidity risk, and credit risk. This paper examines the asymmetric investors' reaction to various risks in Tehran Stock Exchange (TSE) both in recession and growth from 2011 through 2016. Evidence reveals that although all three kinds of risks are relevant, especially illiquidity risk, risk factors' explanation power in the bullish market is less than the bearish one. This indicates that investors tend to show an asymmetric reaction to risk in up and downswing markets. The asymmetric behavior is also predominant due to investors' weak attention to the market risk in a growing market in opposition to a recessive market condition that turns out to be an important risk consideration. The results of this study can help investors to consider asymmetrical behavior effect when they are making their minds on investment decisions.

کلمات کلیدی:

Market Risk, Illiquidity Risk, Credit risk, Asymmetric Reaction

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