

Financial economists wonder what is left of their favourite model

- McKinsey : bubble in technology
 - media and telecom share price \uparrow, \downarrow by more than market as a whole
 - $\beta_i = \frac{\sigma_{im}}{\sigma_m^2} \Rightarrow$ how the share price moves in relation with the market “speed and volatility”, level of riskiness
 - $\beta_M = 1 = \sum_{i=1}^N w_i \beta_i$; w_i is the market share of asset i in the market portfolio.
 - $\beta_{\text{Media, Telecom}}$ are high. Betas for other old-economy shares fell.
 - investors should strip out the effects of the bubble.
- Fama and French
 - “value stock” (shares with low price-earning ratios) do much better over time than their betas would predict.
- Campbell and Tuomo Vuolteenaho propose a new way to measure the beta.
- the CAPM: $E(R_i) = R_f + (E(R_m) - R_f)\beta_i$
- Equity premium = Rate of return on investing in an equity share - R_f
- Equity premium is highly positive because
 - equity shares are less liquid
 - investing in equity share increases the volatility of people’s income
- Mehra found all this unconvincing.
 - Bonds often do as poorly as equities in times of great distress.
 - In France, in the 1920s their prices fell by around 90%.
 - Holders of Mexican bonds suffered huge losses in 1980s.
 - Equity Premium Puzzle
- Unsatisfactory conclusion : there is no equity “premium” - in the sense of a fairly predictable excess over bond returns on which investors can rely.

“The fusion of Fama’s, Hansen’s and Shiller’s research, then, boils down to this: We know that stock prices behave randomly on short-term horizons, and that efforts to time the market in the short run are probably counterproductive. But we also know that markets can become broadly mispriced for long periods due to the mysteries of human psychology.”

Washington Post. October 14, 2013.

Bank of Thailand
FI_CB_001_S4 : All Commercial Banks' Assets and Liabilities
(Unit: Millions of Baht)

DEC 2012

Assets	
1. Cash	225,051
2. Interbank and money market items, net	1,934,870
3. Claims on securities	29,568
4. Derivatives assets	265,081
5. Investments - net	2,364,098
6. Investments in subsidiaries and associates, net	146,847
7. Loans to customers, net	9,328,523
8. Customers' liabilities under acceptances	5,818
9. Properites foreclosed, net	94,399
10. Premises and equipment, net	172,401
11. Goodwill and other intangible assets, net	46,279
12. Deferred tax assets	8,429
13. Other assets, net	152,573
Total Assets	14,773,937
Liabilities and Equities / Equity of Head Office and Other Branches comprising	
Liabilities	
14. Deposits	9,999,782
15. Interbank and money market items, net	1,107,354
16. Liabilities payable on demand	74,935
17. Liabilities to deliver securities	30,370
18. Financial liabilities designated at fair value through profit or loss	14,819
19. Derivatives liabilities	265,522
20. Debt issued and Borrowings	960,341
21. Bank's liabilities under acceptances	5,818
22. Provision	67,242
23. Deferred tax liabilities	1,819
24. Other liabilities	259,169
25. Shareholders' Equity	1,229,873
26. Head office and other branches of the same Juristic person's Entity	756,893
Liabilities and Equities / Equity of Head Office	14,773,937
No. of banks	31

Bank of Thailand
FI_CB_040_S4 : All Commercial Banks' Income and Expense
(Unit : Millions of Baht)

2012

1. Interest income	594,787
1.1 Loans	442,744
1.2 Transactions with financial institutions and money market	57,208
1.3 Hire purchase and Financial leasing	39,638
1.4 Investments	54,968
1.5 Others	229
2. Interest expenses	258,144
2.1. Deposits	126,721
2.2 Transactions with financial institutions and money market	26,152
2.3 Debt issued and Borrowings	70,247
2.4 Fees from the borrowings	39
2.5 Premium to deposit insurance	34,838
2.6 Others	146
3. Fees and service income	122,993
4. Fees and service expenses	24,921
5. Gains (Losses) on tradings and foreign exchange transactions	37,826
6. Gains (Losses) on financial instrument designated at fair value throuth profit or (loss)	
Fair value option	-812
7. Gains (Losses) on investments	5,112
8. Share of profit (loss) from investment for using equity method	0
9. Others operation incomes	37,772
10. Other operatiing expenses	243,745
11. Impairment loss of loans and debt securities	67,506
12. Profit (loss) before income tax and extraordinary items	203,362
13. Income tax	46,144
14. Net profit (loss)	157,219
No. of banks	31