
Seasonality in Equity Rising on Stock Markets. Windows of Opportunity? Empirical Evidence from China, India, Brazil and South Africa

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Empirical research has underlined high variability cases of equity-raising through the placing of shares in the primary market in the course of time, considering both new enterprises' quotations, and increases for the already-quoted ones in regulated markets.

Different periods and markets at different development stages have been taken in exam, resulting in the discovery of high concentration of such operations in specific time-slots.

Focusing on China, India, Brazil and South Africa's stock markets trends between 2003 and 2011, the research aims to verify if:

a) The collected capitals are concentrated in years of high share indexes' levels;

b) The collected capitals increase in presence of high market average's price- earnings.

Keywords: *windows of opportunity; price-earnings; irrational exuberance; Initial public offerings; emerging markets*

Introduction

Pointing the market to gain equity rising is a core decision for any enterprises, both already quoted or newly listed ones.

It's a choice that affects their financial structure, aka the composition of their funding sources, and it can be the "turning" point of a strategy, determining its success or failure.

Deciding to be quoted in a specific period other than others, as for IPOs (Initial Public Offerings) or to start a capital increase in a specific stage of the market can be useful to understand the dynamics behind an enterprise's strategic workability. At the same time, analyzing market's reactions to such choices can clarify its operation.

Empirical analysis for different periods and markets at different development stages reveal a huge confluence of such operations in specific time-slots, where stock market's general indexes were particularly high. An explanation for this phenomenon can be the will of both active parts' – enterprises and stockholders – to take advantage of market's high indexes, placing stocks at prices higher than their "inner value"¹ so exploiting the so-called "windows of opportunity".

From the lender's point of view, high demand even for more expensive stocks can derive from investors' extreme optimism, explicable through the behavioral finance that creates "speculative bubbles" with the consequent effect to keep prices away from the core values of an enterprise. Such phenomenon is further amplified by informative asymmetries between investors and offeree companies.

This essay focuses on the stock markets of the "emerging countries", because of their role in the global economy – high GNP growth rate in clean

¹ It is a value that results from the applying of evaluation criteria commonly accepted by the financial community. Among these, the Dividend Discount Model, consists in discounting the expected dividends, using risk capital cost as discount rate, because it considers, among other things, the enterprise activity's level of risk.

contrast with the global recessive phase, and low-level correlation with the stock markets of the most industrialized countries that encourages investments and represents an interesting alternative, speaking of asset allocations.

In time, US, Europe and Japan will not be the main source for consumers, capitals and resources, as a great re-alignment has led to a new multi-polar balance. At the same time, the economic strength of the once-so-called Developing Countries has grown up fast, thanks to advantageous demographic conditions and labor costs, and the rise of a vast middle-class.

During the 90's the impact of these economies on the global GNP has always been under the 20% while, starting from 2003, a progressive growth has led them to a solid 36% in 2011. And the trend is going to strengthen further, according to the IMF (International Monetary Found), till it will reach the incredible Global GNP percentage of 41% in 2016. The recent financial and economic crisis has, in fact, fastened the above mentioned process, underlining the core role of such Countries in the global economic growth compared with the dramatic problems the Industrialized Countries are fighting with now, connected with negative demographic dynamics and high level of Public Debt.

Reference Economic Sources

IPOs high in-time-variability has been spotted in Ibbotson and Jaffe's work in 1975, among the first ones to study the phenomenon. More recent analysis, Lerner et al. (2003), show scarce volumes of collected capitals in the stock market when enterprises can't access it in propitious conditions and they choose other sources of finance.

A particularly interesting study comes from Lowry (2003), because of the extent of the time series considered and the importance of the analyzed market. The author checks a very long period, 37 years, from 1960 to 1996, during which he scans the listing of new enterprises on American stock markets. Between 1973 and 1979, a period of low quotations' levels, only 329 new enterprises were quoted; in the previous 7-years' period they were 2.644, while between 1980 and 1986 they were 3.805. This study explains, through specific parameters, how the enterprises' capital demand

and the investors' "sentiment", also measured through stock markets' previous years' profits can be crucial variables to "justify" this phenomenon.

Referring to the Italian stock market, in 1989 Pagano et al. analyzed the reasons that led the enterprises to quote themselves in the years 1982-1992. The study's results underline a confluence of new quotations in correspondence of particularly high levels of "market-to-book ratio" – referred to the specific enterprise's operability sector. This indicator is calculated dividing the market price of a title and the accounting net capital share referred to the single stock. It can be considered a proxy for a stock's over/undervaluation level. High levels of market-to-book ratio, can be a symptom of a potential enterprise's overvaluation. Furthermore, the authors underline how the high mean level reached by this indicator can't suggest future fruitful opportunities for the enterprises to invest, because these, after their quotation, have used the collected capitals in the following years mostly to reduce the leverage level rather than make new investments. So, the quotation timing could be related to convenience in taking advantage of an overvaluation ascribed by the market to stocks of specific sectors rather than encourage the enterprise's future growth.

The price-earnings ratio, aka the relationship between stock price and earnings per share, is the proxy for market's over/undervaluation level considered in this essay.

Given that any index or multiple factors that aim to synthetize a complex reality are necessarily limited, price earnings is surely no exception but it can be a better proxy because it is widely available, it allows easy comparisons among titles and builds up an accuracy of some core enterprises' elements, like risk and growth, that are useful to develop our research.

The phenomenon here analyzed is also supported by an asymmetric distribution of info's between stocks owners and investors.

Such situation, and the circumstance that it can interfere on the functioning of markets, is known in the economic literature as the lemons problem, since its author, the Nobel winner George Akerlof, wrote an essay in the 1970 in which he explains it through a similitude between the stock market and the secondhand cars' markets. The offeree company, given its better knowledge, compared to the potential investors, about the real

enterprise's financial and economic perspectives, could be tempted to place stocks when the market conditions can guarantee a price that is superior to their effective value. Since the investors, confused by informative asymmetries, are in general disposed to pay stocks on the base of valuations that refer to market's present average value parameters, enterprises with great potential could renounce to quote themselves; as a consequence, only worse quality stocks could enter the market, so determining an inefficient resource allocation by the financial markets.

In Myers and Majluf's work (1984) they suppose managers can take advantage of their informative superiority over the potential investors to favor the elder stockholders, issuing new shares rather than turn to debt, without reaching – obviously – levels of risk that could result in a financial crisis, only if they consider that the issue price is superior to their effective value. Ahead of this decision, investors, otherwise, aware of managers' better knowing, could feel a negative signal about the real enterprise's value compared with its placing price. So, in general, a capital increase could be seen in the financial market as a signal of potential stocks' overvaluation. As a consequence, investors could accept to endorse them only at a price lower than market's. All this could lead to sub-optimal choices in an enterprise's financial structure. An excess of optimism from the investors in the placing of securities phase could be one of the reasons for another phenomenon known as "Long-Run underperformance". A huge empirical literature – where the work of Ritter (1991) arises – he underlines how the average returns resulted from the stocks' endorsement in the placing phase are, in a long period, inferior to those achievable through the acquisition of similar stocks in the market.

Shiller (1990 et al.) considers that the '70's theories, all based upon investors' rational expectations and the existence of markets characterized by informative efficiency, cannot explain the stocks' price trend; he, furthermore, underlines the need for an integration of such theories with the behavioral finance. He proposes the concept of "irrational exuberance", that should be a core element for the creation of financial bubbles. The "financial bubble" is a situation where the stocks' price turns considerably from their "intrinsic value" and it should be caused by a widely-broad investors' enthusiasm, a sort of collective psychological contagion, amplified

by the media news about high market returns that, generating optimism, make investors believe they can be repeatable, at least in part, in the following periods. The market increase, justified at the beginning by actuals and perspective improvements of enterprises' fundamentals and macroeconomic conditions, should auto-feed itself, losing in time any connection with the real economy. These market situations can last years before their reshaping, producing huge losses for those investors who acquired stocks during their quotations peak.

A research by De Bondt and Thaler, 1985, shows how, in many cases, investors' predictions tend to be optimistic towards stocks that over-performed the market index in a specific period, while they are pessimistic towards the under-performing ones.

Seddighi and Nian (2004), focus on the extreme volatility in the Chinese market, a phenomenon that seems to be caused by governmental regulation and market-related imperfect information.

The riskiness for an investment cannot be seen as a mere statistic idea related to the potential return's variability over an expected average value, because it concerns psychological implications too. And this is true for both stock investments and debt securities, and among these last ones, those with particularly complexes remuneration clauses (Visconti, 2012). And even previous market trends can modify investors' risk perceptions. The behavioral finance has deeply analyzed a phenomenon known as "overconfidence". It's an investors' overvaluation of their own capabilities to make efficient portfolio choices (Gervais and Odean, 2011), so determining a distortion in the risk perception.

In a bull-market, many investors think that gained high returns derive from their ability in making wise choices, so they feel confident in taking more risks for future investments. This situation is also supported by the circumstance where many investors may have a more cautious approach towards the initial capital, while they may tend towards a more aggressive approach – and higher risks - in case of re-investment of previously made profits.

That is said "to gamble", it is as they are "playing with casino's money". Aside from our study, a consideration must be done about the influence of the financial development on the economic growth, given that

we have focused our attention on those countries that have, in a very short time, gained unbelievable results.

Two contrasting opinions arose, in time, from this debate. On one side, Schumpeter (1912) underlined the core role of the financial intermediation in the investment decisions and, later, Gurley and Shaw (1960) reaffirmed it underlining the importance of the financial flows as driven by the mediators. On the other side, Goldsmith (1969), McKinnon (1973) and then many followers, related the mediators' role to the general growth. A bond between the evolution of the financial sector and the economic development has been widely empirically verified, Atje and Jovanovic (1993) for example.

While such verifications usually spot a relation that moves from the finance to the growth and not vice-versa, different scenarios arise depending on the countries, and markets' or banks' relative importance depending on specific cases.

The positive relation between finance and growth is generally confirmed, even if opposite or bi-univocal causalities' relations cannot be excluded (G.C.Masvana, 2006).

Data analysis

Two are the essential source data for diagrams' and tables' elaboration:

- World Federation of Exchanges, market-related association of 58 official stock-markets available at www.world-exchanges.org/statistics.
- World Bank's database, for GNP's annual growth, available at www.worldbank.org.

We took in account the main Emerging Countries' stock markets and their trend's most representative indexes.

For Brazil, Sao Paulo SE (Stock Exchange), through Bovespa Index.

Table 1 : BRAZIL

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
SAO PAULO SE										
GDP growt %	2,70	1,10	5,70	3,20	4,00	6,10	5,20	-0,30	7,50	2,70
Bovespa	11.268	22.23 6	26.19 6	33.45 5	44.47 3	63.86 6	37.55 0	68.58 8	69.30 4	56.75 4
Return to one year		97,34 %	17,81 %	27,71 %	32,93 %	43,61 %	41,21 %	82,66 %	1,04%	18,11 %
Return in two years			132,48 %	50,45 %	69,77 %	90,90 %	15,57 %	7,39%	84,56 %	17,25 %
Return in three years				196,9 0%	100,0 0%	143,8 0%	12,24 %	54,22 %	8,51%	51,14 %
Return since the beginning of period		97,34 %	132,48 %	196,9 0%	294,6 8%	466,7 9%	233,2 4%	508,7 0%	515,05 %	403,6 7%
New Capital raised by shares in USD millions	5.244	1.955	3.788	10.88 6	16.241	41.853	25.73 5	41.017	97.751	37.61 9
Market Capitalization/ GDP %	31,20 %	46,00 %	49,60 %	57,30 %	65,30 %	104,3 0%	37,60 %	85,00 %	73,90 %	48,80 %
Price-earnings	7,00	8,40	10,20	10,50	10,90	14,60	9,80	24,20	11,10	13,50

Source: Our elaboration from "World Federation of Exchanges"

For China, Shanghai SE through SSE Composite Index.

Table 2 : CHINA

SHANGHAI SE	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP growth %	9,10	10,00	10,10	11,30	12,70	14,20	9,60	9,20	10,40	9,30
SSE Composite Index	1.358	1.497	1.266	1.161	2.675	5.262	1.820	3.277	2.808	2.199
Return to one year		10,24 %	15,43 %	8,29 %	130,4 0%	96,71 %	65,41 %	80,05 %	14,31 %	21,69 %
Return in two years			6,77 %	22,4 4%	111,30 %	353,2 3%	31,96 %	37,72 %	54,29 %	32,90 %
Return in three years				14,51 %	78,69 %	315,6 4%	56,76 %	22,50 %	46,64 %	20,82 %
Return since the beginning of period		10,24 %	6,77 %	14,51 %	96,98 %	287,4 8%	34,02 %	141,31 %	106,7 7%	61,93 %
New Capital raised by shares in USD millions	7.048	6.777	5.520	3.66 4	16,55 2	87,16 6	32,30 9	47,70 0	83,16 4	49,62 6
Market Capitalization/GDP %	24,80%	25,50 %	19,10 %	12,70 %	34,20 %	112,6 0%	32,90 %	54,30 %	46,20 %	33,70 %
Price-earnings	34,40	36,50	24,20	16,30	33,30	59,20	14,90	28,70	21,60	13,40

Source: Our elaboration from “World Federation of Exchanges”

For India, National Stock Exchange India, through S&P CNX Index

Table 3 : INDIA

National Stock Exchange India	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP growt %	3,90	7,90	7,80	9,30	9,30	9,80	3,90	8,20	9,60	6,90
S&P CNX	1.093	1.880	1.804	2.459	3.295	5.355	2.296	4.329	4.940	3.598
Return to one year		72,00 %	4,04 %	36,31 %	34,00 %	62,52 %	57,12 %	88,55 %	14,11 %	27,17 %
Return in two years			65,05 %	30,80 %	82,65 %	117,77 %	30,32 %	19,16 %	115,16 %	16,89 %
Return in three years				124,9 8%	75,27 %	196,8 4%	6,63 %	31,38 %	7,75 %	56,71 %
Return since the beginning of period		72,00 %	65,05 %	124,9 8%	201,4 6%	389,9 4%	110,0 6%	296,0 7%	351,9 7%	229,1 9%
New Capital raised by shares in USD millions	4.688	7.612	8.370	10.56	14.14	33.34	22.87	18.80	36.96	11.118
Market Capitalization/GDP %	23,50%	42,50 %	50,90 %	65,90 %	83,00 %	150,8 0%	49,70 %	99,0 0%	97,80 %	53,40 %
Price-earnings	14,60	19,20	16,30	17,20	21,30	27,60	21,30	23,20	22,20	15,60

Source: Our elaboration from “World Federation of Exchanges”

For South Africa, Johannesburg SE, through FTSE/JSE All Share Index.

Table 4 : SOUTH AFRICA

Johannesburg SE	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP growt %	3,70	2,90	4,60	5,30	5,60	5,50	3,60	-1,50	2,90	3,10
FTSE/JSE All Share Index			12,65	18,09	24,91	28,95	21,50	27,66	32,11	31,98
Return to one year	9,277	10,387	7	7	5	8	9	6	8	5
Return in two years		11,97	21,85	42,98	37,67	16,23	25,72	28,63	16,0	0,41
Return in three years		%	%	%	%	%	%	%	9%	%
Return since the beginning of period			36,43	74,23	96,8	60,02	13,67	4,46	49,3	15,61
New Capital raised by shares in USD millions			%	%	5%	%	%	%	2%	%
Market Capitalization/GD P %			95,07	139,8	128,7	18,85	11,04	10,91	48,71	
Price-earnings		11,97	36,43	95,07	168,5	212,15	131,8	198,2	246,	244,7
		%	%	%	7%	%	5%	2%	21%	8%
	9,806	3,047	6,533	12,96	12,82	17,85	9,28		11,08	
				4	3	3	9	13,139	7	12,115
		163,10	181,3	228,1	290,3	292,5	174,4	278,2	254,	187,0
	88,00%	%	0%	0%	0%	0%	0%	0%	40%	0%
	12,60	11,30	14,80	15,10	16,80	15,10	10,90	19,40	19,20	15,00

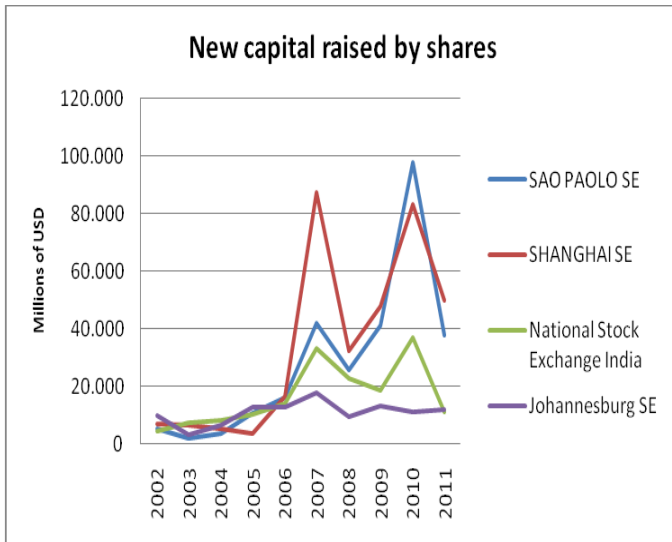
Source: Our elaboration from “World Federation of Exchanges”

In Table 5 we can see, from 2003 to 2007, a constant and consistent collected capitals raise in all the markets except Shanghai in 2004-2005, where initial market returns, calculated as index's percentage change since 2002, were negative.

Table 5 : New capital raised by shares in USD millions

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Media	Deviazione standard
SAO PAOLO SE	5.2	1.9	3.7	10.8	16.2	41.8	25.7	41.0	97.7	37.6	28.2	
	44	55	88	86	41	53	35	17	51	19	09	27.454
SHANGHAI SE	7.0	6.7	5.5	3.6	16.5	87.1	32.3	47.7	83.1	49.	33.9	
	48	77	20	64	52	66	09	00	64	626	53	30.301
National Stock Exchange India	4.6	7.6	8.3	10.5	14.1	33.3	22.8	18.8	36.9	11.1	16.8	
	88	12	70	68	45	44	76	01	60	8	48	10.495
Johannesburg SE	9.8	3.0	6.5	12.9	12.8	17.8	9.2	13.1	11.0	12.11	10.8	
	06	47	33	64	23	53	89	39	87	5	66	3.839

Source: Our elaboration from “World Federation of Exchanges”



Source: Our elaboration

Speaking of China, it's good to know that among the distinguishing imperfections of its stock markets impetuous growth, there is excessive price volatility in presence of intense speculation.

Such phenomenon can be ascribed to various reasons: Government's imposed restrictions; low level of transparency; early levels of structure's organization, particularly related to a lack of market makers and institutional investors, i.e. subjects designated to manage supply/demand constant flows; extreme price reactions for any shock; irrational euphoria and, consequently, distorted risk perception from Chinese agents who determined short-term speculation and divergences from fundamentals.

China is a very particular market where some kind of stocks, Class "A" named, can be exclusively negotiated by local investors and a very few selected and licensed foreign ones, listed with the QFII (Qualified foreign institutional investors) acronym. Then, there are not negotiable securities, known as NTS (No tradable shares), introduced to facilitate the partial-privatization of state owned enterprises but, in the same time, guarantee the preservation of corporate control to the public sector. From the demand's point of view, this market presents a huge number of private operators, neither informed nor prepared, who tend only to short-term speculative profits, and a lack of institutional investors. Furthermore, it is not liquid and it is subject to frequent and amplified variations; as a result, it is characterized by a wide bid-ask price spread.

The variation of new equity rising in 2005 and 2006 in South-African market is not relevant.

The table 6 underlines a positive and significant level of correlation between in-time collected capitals in the primary market and indexes' return calculated since the beginning of the reference period.

Table 6 : Table of Correlation

	Brazil	China	India	South Africa
New capital raised - Return since beginning of period (2002)	0,84	0,81	0,80	0,74
New capital raised - Return to one year	-0,27	0,17	0,01	0,26
New capital raised - Return in two years	-0,03	0,55	0,49	0,34
New capital raised - Return in three years	-0,57	0,40	-0,04	0,65
New capital raised - P/E	0,35	0,28	0,81	0,51
New capital raised - P/E previous year	0,89	-0,05	0,60	0,41

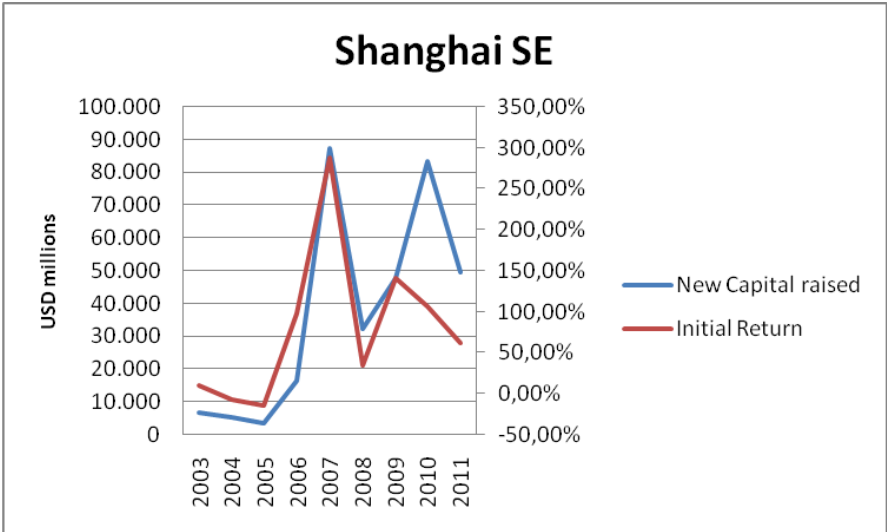
Source: Our elaboration

In 2007, when returns respect to 2002 were included between +212,15% for South African market and +466,79% for Brazilian's, we can observe the highest level of collected capitals for the whole period 2003-2007. For Brazilian and Chinese markets, 2007 capitals have been so huge to overtake the sum of the whole 2003-2006 period. In 2008 the rise of the global crisis led to a drastic reshaping of equity's collection; the crisis' effects were relevant for these countries, although not so dramatic as in the industrialized ones. Losses, comparing indexes' values for 2008 and 2007's ends, have been consistent, going from -25,72% for the South African market to -65,41% for the Chinese's one. Relevant losses affected those investors who, motivated by past years' high profits, underwrote stocks in the initial placing. Establishing the impact of macro-economic variables – and, then, minor enterprises' demand for capitals for new investments -, or the impact of changed investors' market sentiment - and minor chances for offering operators to place stocks at higher prices - on the reduction of stock placing,

it is not what matters here. For sure, we believe that both these factors had a role.

In 2009 and 2010 the stock placing increased together with stock indexes. Such situation could be derived by a better portfolio's diversification on a geographic basis by the institutional investors and a more sophisticated retail customer.

So our first research hypothesis seems to be confirmed here. Following is reported a chart that refers to the main Chinese market and that shows the existing correlation between equity's collection on the primary market and the return gained since the beginning of the reference period.



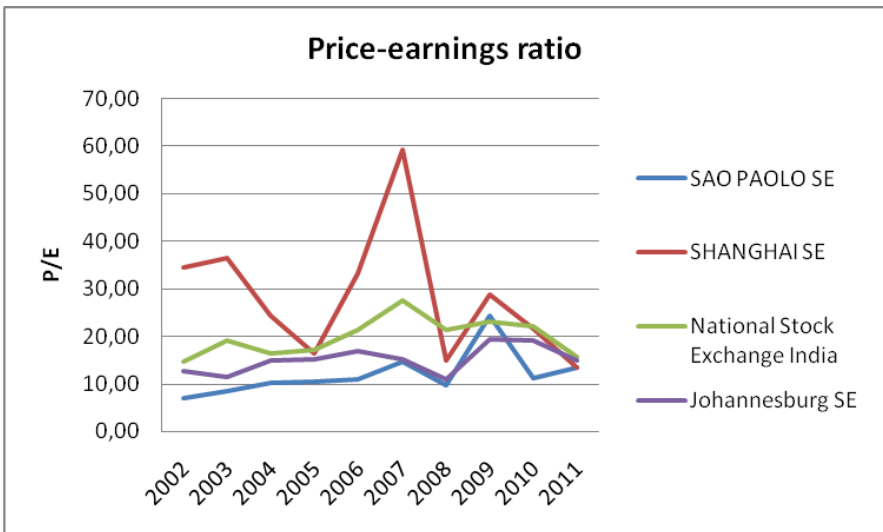
Source: Our elaboration

Regarding market's average price-earnings relations, as reported in the table 7, there are no particularly high values, considering that we are talking about companies with great development potential and profitability's increment for quoted enterprises operating in countries with high levels of GDP growth.

Table 7 : Average market Price-earnings

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Media	Deviazione standard
SAO PAOLO SE	7,00	8,40	10,20	10,50	10,90	14,60	9,80	24,20	11,10	13,50	12,02	4,81
SHANGHAI SE	34,40	36,50	24,20	16,30	33,30	59,20	14,90	28,70	21,60	13,40	28,25	13,71
National Stock Exchange India	14,60	19,20	16,30	17,20	21,30	27,60	21,30	23,20	22,20	15,60	19,85	4,04
Johannesburg SE	12,60	11,30	14,80	15,10	16,80	15,10	10,90	19,40	19,20	15,00	15,02	2,92

Source: Our elaboration from “World Federation of Exchanges”



Source:our elaboration

In the Shanghai case, years 2006-2007 marked high values in correspondence with a 59, 20 peak of market's average P/E. In our opinion it is exactly for this reason that the Chinese Market suffered the biggest losses among the others here analyzed. High levels of P/E that is a proxy, as mentioned above, for under/overvaluation of a single stock or the whole market could generate a speculative bubble, reshaped by reductions registered in 2008. The Chinese market index went from 5.262 points at the end of 2007 to 2.199 points at the end of 2011. Referring to 2011's end, P/E values tend to aggregate to 15 for all the 4 markets covered.

Table 6 shows a positive correlation level between the amount of share-placing and market's P/E average for the same year. The values are, however, substantial only considering India (0,81) and South Africa (0,51). If we consider the correlation between equity raising in the year "n" and the P/E data for the previous one, "n-1", the result is a significant positive correlation for Brazil (0,89) and India (0,60). This last approach is more correct, because when an enterprise decides to quote itself, months must pass before it can effectively happen.

So we believe that the second research's hypothesis given at the beginning of this essay is only partially confirmed and only considering specific covered markets.

Table 8 underlines the percentage relations between market capitalization and GDP.

Table 8 : Market capitalization/GDP%

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
SAO PAOLO SE	31,20	46,0	49,6	57,30	65,30	104,3	37,60	85,00	73,90	48,8
	%	0%	0%	%	%	0%	%	%	%	0%
SHANGHAI SE	24,80	25,50	19,10	12,70	34,20	112,6	32,90	54,30	46,20	33,70
	%	%	%	%	%	0%	%	%	%	%
National Stock Exchange India	23,50	42,50	50,90	65,90	83,00	150,8	49,70	99,0	97,80	53,40
	%	%	%	%	%	0%	%	0%	%	%
Johannesburg SE	88,0	163,1	181,3	228,1	290,3	292,5	174,4	278,2	254,4	187,0
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

This marker quantifies the relative role of a stock market in a country's economy. All the values gained till 2011 are consistent with those related to the traditional markets of the industrialized countries – except for South Africa where, on the other hand, a number of enterprises operating for the most part in other Countries are quoted.

The advantages of a well-developed financial sector, with multiple financial instruments available, efficient and complete markets and multiple financial institutions, are the basis of the theoretical aspect of the literature about the covered subject; such advantages derive from the confidence about the system's capacity to reduce informative asymmetries and transaction costs.

Indeed, through these functions the system allows the optimization of resources placing as well as investments' choices, favoring the introduction of technological innovation and, through this, a development speed-up.

Equally important is, in literature, the chance to spot, while performing these functions, the relative importance of markets and banks. The debate is still ongoing.

Conclusions

From data analysis result high concentration of stock placing on the primary market during years where market indexes reached maximum levels. Estimating the role of macroeconomic reasons - and, therefore, the capitals' demand's cyclic nature from the enterprises - or, rather, the role of the investors' sentiment - influenced by returns obtained in the stock market in the past years and by the chance for issuing companies to place stocks at the highest prices - to explain this circumstance, goes beyond the purpose of the present work.

In our opinion, the second reason has a core role in determining this phenomenon. This is confirmed, partially at least, by the high level of correlation between equity raising and markets average P/E for the year before. Such circumstance could be determined by issuing companies' opportunistic decisions about the timing of their stock market's quotations or the increase in the capital stock.

This in-time high equity raising' variability is not an exclusive of the emerging markets here considered. It exists in the previous works of eminent researchers and we recalled them in this essay, although they analyze different times, and consider countries with advanced economic development, organizational microstructures, and long-tradition stock markets. And even if they lie outside the present work, it's important to mention the consequences of this phenomenon on the enterprises' investments' cycle and the macroeconomic dynamics in the countries here considered. All this keeping in mind the strong interrelation between financing and investment choices made by the enterprises.

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