

Dear Readers,

We take great pleasure in welcoming you to our first issue of third volume of the *Journal of Capital Markets Studies* with a diverse range of papers focus on the capital markets microstructure and governance and institutional and retail investors as well.

This issue begins with the paper of Albert Rapp titled “Sentiment vs Mood: A Conceptual and Empirical Investigation”. This paper introduces a new analyse that differentiates sentiment and mood both theoretically and empirically. The results reveal that the effect of mood on stock return is more pronounced than the effect of sentiment on stock return. Rapp underlines that sentiment and mood do not only represent distinct theoretical concepts but that sentiment and mood can also be distinguished empirically.

The next paper titled “Performance Evaluation of the Turkish Pension Fund System” co-authored by Tolga Umut Kuzubas and Burak Saltoğlu, Ayberk Sert and Ayhan Yüksel. The paper provides an in-depth performance evaluation of funds offered by the Turkish Pension System. The findings indicate that majority of pension funds are unable to generate excess returns compared to the corresponding asset class return. The analysis reveals that most of the portfolio managers failed to exhibit a significant α and market timing ability. The authors also provide several recommendations regarding the design of pension funds in Turkey such as inflation-protected bonds and inflation hedging instruments.

“Does D&O Insurance Matter for Stock Price Crash Risk Evidence from an Asian emerging market?”, Ming-Te Lee and Kai-Ting Nien in their paper address the opposing views of the relationship between directors’ and officers’ Liability insurance (D&O insurance) and stock price crash risk in a major Asian emerging stock market. The paper reveals that the effect of D&O insurance coverage is significantly negatively related to firm-specific stock price crash risk. Additionally, this study supports that D&O insurance serves as an effective external monitoring mechanism, strengthens corporate governance, and thus reduce stock price crash risk.

Our fourth paper by Silvio John Camilleri and Francelle Galea, “The Determinants of Securities Trading Activity: Evidence from four European Equity Markets” examines the determinants of securities trading activity. The authors focus on stock trading turnover and explore the relative importance of five possible trading activity determinants: market capitalisation, dividend yield, earnings yield, company growth and the distinction between recently listed firms as opposed to more established ones in four European markets: the London Stock Exchange, the Madrid Stock Exchange the Malta Stock Exchange and the Vienna Stock Exchange. The evidence suggests that market capitalisation is the most important trading activity determinant, and the number of years listed ranks thereafter.

Fifth, Halil Kıymaz’s “Factors influencing SRI fund performance? is an empirical attempt to examine socially responsible investment (SRI) fund performance and investigates the factors influencing fund performance. With a wide range of historical data, the paper investigates that, on average, the SRI funds provide comparable risk-adjusted returns



relative to various benchmark market indices. The author finds Fama–French five-factor model shows market, size and operating profit factors explain SRI fund returns.

The sixth and last paper develops a methodology to define a threshold where an investment allocation is deemed insignificant. Anqi Xiong and Ali N. Akansu addressed the transaction cost of rebalancing portfolio in their paper titled “On Sparsity of eigenportfolios to Reduce Transaction Cost”. They employed pdf-optimised mid-tread Lloyd-Max quantizers to sparse eigenportfolios and show its merit by sparsing eigenportfolios of the stocks in S&P 500 index along with the resulting PNL curves and their Sharpe Ratio. It is concluded that this sparsing technique is methodic, easy to implement for large size portfolios, and it offers a significant reduction in transaction cost without any loss of performance.

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