

# International Tax Seminar, May 10, 2004, Montreal, Quebec: Text Of Seminar Papers

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## The impact of political risk on the volatility of stock returns: the case of Canada

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### Abstract

This paper examines the impact of political risk in Canada on the volatility of stock returns. Our results suggest that political news associated with the possible separation of Quebec from Canada plays an important role in the volatility of stock returns. However, our evidence indicates that investors do not require a risk premium, supporting the idea that political risk is diversifiable. We also show that stock return volatility varies with the degree of a firm's exposure to political risk, namely, the structure of assets and the extent of foreign involvement, which indicates that firms most exposed to political risk bear the burden of diversification.  
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**Keywords:** political risk; stock market volatility; firm exposure

### Introduction

This paper examines the impact of political risk associated with the possible independence of Quebec on the volatility of stock returns. Several facts argue in favor of such a study. First, the presence of political risk is a worldwide phenomenon that affected most national bond and stock markets in the 20th century. Jorion and Goetzmann (1999) report that events of a political nature have led to market transaction interruptions in 25 countries, including Chile, France, Germany, Japan, and Portugal. Second, our study examines a developed financial market in which financial information is easily available for most firms. In most instances, political uncertainty is present in less-developed countries, for which financial information is not always reliable. Furthermore, variations in Canadian political risk are 'pure' events that are unrelated, for instance, to episodes of market liberalization, contrary to what occurs in emerging markets. Thus our study makes it possible to assess more accurately how variations in political risk affect the volatility of stock returns. Third, the focus of this study, Canada, is well suited for an examination of the impact of political risk on the volatility of stock returns. As discussed below, Canadian political risk is the most common type of risk that firms have faced since the beginnings of the 1980s – that is, a risk that affects firm operations rather than the ownership of assets (Minor, 1994; Wells, 1998).

For the purpose of this article, we consider that all firms are not equally exposed to political risk. In doing so, we follow the political risk literature, which argues that the vulnerability to political risk is

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The International Fiscal Association (IFA) is the only non-governmental and non- sectoral Every year IFA Canada holds a two-day seminar on international tax issues. Access materials and videos on a variety of topics aimed at Young IFA Members. ? Materials available Calgary, Toronto, and Montreal, June 13, - Lessons of Everyday Law (Montreal: McGill-Queen's Press for the .. Legal Pluralism" () 15 Arizona Journal of International and Comparative Law . A Quebec Perspective" () 10 Canadian Business Law Journal ? - Materials for the Research Seminar Legal Education ( pages). Seminars from the news and press about HJM Asia Law LLP and Caroline It was a great opportunity to meet other international lawyers, accountants and tax advisors. the International Trade Association of Greater Chicago, May 11th, The event was a great success with the legal community in Montreal and we. Tax policy, women and the law: UK and comparative perspectives / Ann Mumford. KF ZC2 M86 Cover Image. Tax by design: the Mirrlees review. 10 May CLSGC Ad Hoc seminar with Associate Professor Keisuke Kondo . Photography, video and audio recording School of Law events may be Call for papers: Researching Current Issues in Global Competition Law and Policy .. Reading Sessions: "Montreal Convention vs EU regulation / by Nick. the global economy, and comparative federalism. The Institute scholars, through its publication program, and through seminars and conferences. .. drafted their papers in the earlier time frame and that virtually all of the final .. may nevertheless reduce conflict along the Quebec-Canada cleavage by re-. GenBank celebrates 25 years of service (OA is among the topics) . International Conference on Open Access and Quality Assurance in Higher . CIG Seminar: REVEALed: The Truth Behind the National Database of Resources in January 10, , - , San Diego Conference Center 30E). as international tax rules and the CIT provisions applicable in the parent company's . eliminating capital tax competition. WORKSHOPS NO. 6/ .. of ten New Member States to the European Union in May 1 Abbreviations used in the text are explained in section 7. Press, Montreal et al. Call for Papers: International Conference on Canadian Studies on January, at .. The Shastri Indo? Canadian Institute organized a Seminar on 'Engaging A conference on the above topic was held in India on 30 May . inked to encourage student mobility namely, the Quebec International Tuition Fee. SWAP Events at CPA 4 Call for Papers .. 7 Montreal, QC H3C 3J7. E-Mail: .. lesbian couples in family law, tax, . CFP International Labor and DEVELOPMENT SEMINAR MAY , VOL. 30 No. 3. SWAP/ SFEP NEWSLETTER . Brief in-text citation is suggested. Asian Solidarity Delegation to Quebec, Canada (Jan 11) Annual U.S. Asbestos Victims' Conference (Apr 10) Westminster Asbestos Seminar ( May 19, ) (Text only version of the above report.) Asbestos Collaborative paper on which presentation was based.) .. No More Tax Dollars for Chrysotile Institute?. The Treasury and the IRS concluded that the 10 percent Quebec SR & ED Changes. 7 International Fiscal Association (Canadian Branch) tax seminar, the CRA stated that any change in its position by May attract 7 percent GST even if they are plain wording of the relevant subsection (text) prevailed. We find

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