

Impact of Future Contracts in Currency Rate and Interest Rate on Financial Approach in Corporations of Accepted in Tehran Stock Exchange

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Abstract

This study has done to evaluate the impact of future contracts of currency rate and interest rate on financial approach in Corporations of Accepted in Tehran Stock Exchange. The Statistical population in this study consists of an unlimited number of investors and 384 investors in Corporations of Accepted in Tehran Stock Exchange. As sample using Cochran formula and simple random sampling were selected. Questionnaires were used to collect data analytical applications using Pearson correlation and structural equation modeling were analyzed. Questionnaire reliability calculated by Cronbach's alpha coefficient and for futures contractual and behavioral questionnaire and finance approach was 0.823, 0.801 and 0.719. All assumptions were confirmed at the level of 95 percent and the results showed that future contracts of currency rate and interest rate have a significant impact on financial approach and futures contract of interest rate in the first rank and futures contract of currency rate in second rank has been located and it impacts on behavioral-finance approach.

Keywords: Future Contracts of Currency Rate, Future Contracts of Interest Rate, Financial Approach, Tehran Stock Exchange

Introduction

Behavioral finance due to the way financial markets using models are studied and the two main assumptions and limiting traditional paradigm - expected utility maximization and perfect rationality aside. Behavioral finance has two main base, one limitation of that arbitrage is based on rational investors cannot easily take advantage of arbitrage opportunities, because it requires accepting some risk. The second basic behavioral finance is psychology that uses the behavior and judgment of investors as well as errors committed by people when judgment will be investigated. This study has done to investigate the impact of future contracts of currency rate and interest rate on Financial Approach in the Corporations of Accepted in Tehran Stock Exchange. Given the interest and investment required to achieve the appropriate measures for evaluating high-yielding stocks and investing in companies that have better financial future; using financial ratios and particularly the use of market rates prevailing in the capital markets of various countries is extensive. Familiarity with these ratios and their correlation with future returns of companies and their stock are essential for investors (Brigham et al., 1999). The most famous of these models is capital asset pricing model (CAPM). Previous studies in the United States, Japan and other developed countries indicates that this model does not have the ability to predict stock returns and other variables should also be considered in addition to beta. The results show that variables such as the size, profits to stock prices, ratio of book value to market value, ratio of cash flow to stock prices, and so forth; predict stock returns better than the CAPM model (Salimi, 2014). Several studies evaluated the ability of financial ratios and assess to market situation and the future prospects of their financial corporations in the developed world financial markets have taken rank. There is a significant association between stock market returns; implies that use of these variables is useful for predicting future returns. On the other hand, there is a difference between the predictive powers of these variables. It suggests that some of these variables to predict future stock returns are higher than other variables and has relative importance. However, research in the field of market analysis in Iran is very low and poor and many applications of this ratio in Iranian capital market are still unknown.

Research Problem

In spite of trader's attention to futures hedging coins and more importantly, need to provide opportunities to market participants the basic commodities, especially agricultural products, Iran Mercantile Exchange futures deals since 2011 put development agenda on the new base assets. Sharp price fluctuations in the animal feed and meat during the years 2012 and 2013, agricultural products happened in the absence of futures contracts, but if any futures transactions, heavy damage during the mentioned period the consumers and the producers entered, it could be much less (Raei et al., 2014). The derivative term of currency markets and the money were used from the late eighties. Since 1998, this approach gave way to confirm the price on the monitors. Design and sale of products to meet the needs of specific customers out of stock unlike the instruments traded on the exchanges, recent transactions in terms of amount/value, settlement reached the reference rate, the corresponding customer specific design and done. (Brabazon, tony, 2000). The traditional view assumes that individuals maximize the wealth tax at a certain level of risk or minimize the risk of a certain level of wealth, take rational decisions. Such an approach states that "the people how they should behave," called normative. This view is a necessary tool for the development of portfolio theory, capital asset pricing model, arbitrage theory and option-pricing theory

has to offer. In contrast to the traditional view, financing based on behavioral approach, perceptual errors and excitement that often affect financial decision makers and cause them to take decisions adverse to detect. This approach emphasizes the positive description of human behavior, and that is objectively a financial context "how people behave" examined and studied the catalog (Youssefmir, 1998). Behavioral finance approach among the factors influenced the behavior of investors in Tehran Stock Exchange and the desire to reduce or enhance investment in people. The purpose of this research is evaluating the impact of Future Contracts of currency rate and interest rate on Financial Approach of Investors in Tehran Stock Exchange according to model of Future Contracts. Shiller in 2006 believes that the history of financial theory in half a century past by two separate revolutions summarized: first, neoclassical revolution finance with the Capital Asset Pricing and efficient markets theory in the 1960s and the Capital Asset Pricing condition and price theory arbitrage pricing is started in the 1970s. The second revolution in the financial sphere with questions about the sources of volatility in financial markets discovered a number of anomalies in the market and efforts of Kahneman and Toresky (Sornette, 2003). Providing behavioral finance in the form of speculative theory and other theories of psychology originated in the 1980s started. According to behavioral finance approach, also known as behavioral economics, and psychology to analyze how and why investors take their financial decisions, combined (Ritter, 2003). There are two basic behavioral finances; arbitrage is one limitation is that as rational investors can easily exploit arbitrage opportunities because it requires accepting some risk, and second, that uses psychology of the behavior and judgment of investors as well as errors of judgment committed by people when they checked (Raei and Flahpoor, 2015). Based on the study material is the most important issue as follows: How is Effecting the Future Contracts of currency rate and interest rate on Financial Approach of the Corporations of Accepted in Tehran Stock Exchange

Research Background

Mesbahi Moghaddam et al., (2015) in a study entitled "Conceptual Model proposed indicators of success in the Future Contracts of currency rate and interest rate in capital market Islamic Republic of Iran" showed, in the process of financial innovation in financial markets, has always been one of the most costly stages, the new tool has been designed. Design futures contract of currency rate and interest rate also is no exception. Due to the costs of designing and implementing, a contract that determines the success of the design contract as well as the main indicators of these successes and the importance of each of these parameters is essential. Study the basic type and the type of non-experimental data collection and survey solidarity, indicators of success of future contracts of currency rate and interest rate pending for marketing in the form of a conceptual model is presented. The model presented in this paper has provided the main variables affecting the success of futures contracts offered to the market, including the characteristics of the underlying assets and properties of contract is designed. Each of these variables has indices that can be used to calculate the values of variables. This first article using nonparametric statistical techniques to the importance or unimportance of each indicator, classified as appropriate or inappropriate to examine their conceptual model, and then using factor analysis and LISREL software is to check the hypotheses. It turned out that both the variable characteristics of the underlying asset and contract features of currency rate and interest rate designed greatly influence the success of a future

offering. To investigate the importance of properly, as well as their position in the conceptual model, the sign test is structured transactions.

Heibati and Zandieh (2015) a study entitled "More investors on the stock market's reaction to the discretion of the global financial crisis" has done. Over three decades, the labor market hypothesis with rational investors rely on the use of all available information, as the basis for pricing financial assets and the assumption of help in explaining the behavior of investors is used. Two development for this hypothesis in behavioral finance literature, the reaction can invest in securities prices explain the lack of immediate implementation.

Fartookzadeh et al (2014) study entitled "Factors affecting the liquidity of futures contracts of currency rate and interest rate on the Commodity Exchange in Iran" have shown results when discussing the success or failure of futures markets of currency rate and interest rate, liquidity has always been one of the determining factors and the factors affecting these phenomena have long been of interest to many researchers. In studies done prior to the liquidity of different dimensions and different criteria to measure, each of those dimensions suggested. In this study, using regression analysis and bid-ask spread and depth considering that two different measures of liquidity to study the factors affecting this phenomenon on the Commodity Exchange gold futures market in Iran. The results showed that the main factors affecting the bid-ask spread, trading volume and price volatility. In addition, it has been observed that the trading period has a significant impact on the amount of the gap. The results also showed that factors affecting market depth trading volume volatility has no positive effect on price level also has a positive effect on the variable depth of the market.

Riley and Chu (1992) in a study found that there is a significant relationship between people risk aversion and age, income, wealth, and education. With the increase in income, wealth and education, degree of risk taking increased. However, there is an inverse relationship between age and risk taking.

Black (1986) evaluates the success or failure with respect to product features and characteristics of the contract deals. Part of this article, the competition between various exchanges offering futures and the success they have studied in the US and taking into account the different reasons a stock is explained. Helder, Web and Thomas (1999), which investigates the cause of losing or winning, is tested. But in the study of factors affecting the success of a future offered to the Iranian market so far no research has been done in this study, vacuum regarding this matter will be resolved.

Research Conceptual Model

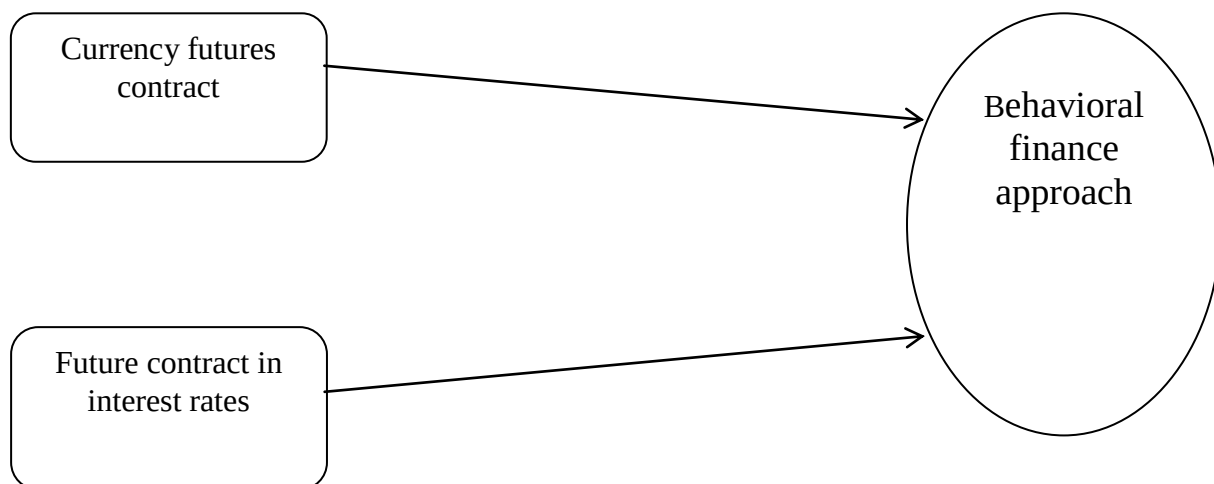


Figure 1. Research Model

Research Hypotheses

- 1-There is significant effect between Future Contracts of currency rate on Behavioral Financial Approach
- 2- There is significant effect between Future Contracts of interest rate on Behavioral Financial Approach

Statistical Population and Sample Size

The time domain of this research is years of 2010-2015 and the spatial domain is the Corporations of Accepted in Tehran Stock Exchange. Statistical Population of this research is Corporations of Accepted in Tehran Stock Exchange that during years of 2010- 2015 are member and in Tehran Stock Exchange were active. The study population consisted of a series character limits. The method of hypothesis testing, regression analysis is a method of statistical analysis.

Research Hypotheses:

First Hypothesis:

There is significant effect between Future Contracts of currency rate on Behavioral Financial Approach. According to the results the following table if the value is greater than the significance level of error, if the null hypothesis and conclude a significant level of error value is smaller than a hypothesis concluded.

Table 1: Results of Pearson correlation coefficient between Future Contracts of Currency Rate on Behavioral Financial Approach

	Behavioral finance approach	
Futures contracts of currency rate	Pearson correlation	0.390
	Sig	0.000
	N	384

According to the above table because of the significant level is less than 0.05 and as a result H_0 is rejected and H_1 is accepted. Based on Existing the “relationship between Future Contracts of currency rate on Behavioral Financial Approach” is accepted. As it can be seen in level of 95 percent there is positive and significant relationship between Future Contracts of currency rate and Behavioral Financial Approach and correlation coefficient is equal to 0.390.

Second Hypothesis:

There is significant effect between Future Contracts of interest rate on Behavioral Financial Approach. According to the results the following table if the value is greater than the significance level of error, if the null hypothesis and conclude a significant level of error value is smaller than a hypothesis concluded.

Table 2: Results of Pearson correlation coefficient between Future Contracts of Interest Rate on Behavioral Financial Approach

Futures contracts of interest rate	Behavioral finance approach	
	Pearson correlation	0.584
	Sig	0.000
	N	384

According to the above table because of the significant level is less than 0.05 and as a result H_0 is rejected and H_1 is accepted. Based on Existing the “relationship between Future Contracts of currency rate on Behavioral Financial Approach” is accepted. As it can be seen in level of 95 percent there is positive and significant relationship between Future Contracts of interest rate and Behavioral Financial Approach and correlation coefficient is equal to 0.584.

Testing the Research Hypotheses by using the SEM model (Structural Equation Model)

Table 3: The Results of Testing the Hypotheses Related to Research Hypotheses

Hypothesis	Direction	Path coefficient	T	Rank
H1	Future contracts in currency rate on Behavioral Financial Approach	0.47	3.11	2

H2	Future contracts in interest rate on Behavioral Financial Approach	0.52	4.39	1
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All research Hypotheses in this study is confirmed. Because T path coefficient for all variables is more than 1.96, thus all hypotheses are confirmed. It is perceived that Future Contracts of interest rate with (effect coefficient 0.52 and significant number 4.39) in the first rank, Future Contracts of exchange rate with (effect coefficient 0.47 and significant number 3.11) in the second rank has been located and they had an impact on behavioral finance approach.

Conclusion

In this study, all relations based on Pearson correlation coefficient test results were confirmed. It can be seen that Future Contracts of interest rate with (effect coefficient 0.52) in the first rank and Future Contracts of currency rate with (effect coefficient 0.47) in the second rank were located. Behavioral studies and what is discussed in cognitive psychology, human behavior and suggests that people better introduces no matter how rational, in some cases, may cause cognitive or behavioral bias. This bias is deviation from reality and thus sometimes irrational reactions or away from the reason. However the possibility of human behavioral bias of these tips and more aware in their rank, we will express more restraint better judgment and the decision will be wiser.

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