The effects of oil price shocks on U.S. stock order flow imbalances and stock returns
(with D. Tsouknidis and N. Lambertides)

Journal of International Money and Finance 74, 137-146 (2017).
This paper investigates for the first time the effects of oil price shocks on stock order flow imbalances leading to changes in stock returns. Through the estimation of a structural VAR model, positive demand-related oil price shocks can explain almost 36% of the observed variation in the daily average stock order ow imbalances measured by the buy/sell trades ratio; which consequently lead to a negative rather than positive stock returns reaction. In contrast, oil supply shocks exhibit a negative and marginally significant effect on stock order ow imbalances. Our aggregate analysis suggests that positive shocks on stock order ow imbalances are negatively related to stock returns. These effects are stronger for oil-related sectors when compared with the rest of the equities sectors.

Size Effects of Fiscal Policy and Business Confidence in the Euro Area (with N. Michail and D. Koursaros)
International Journal of Financial Studies 5 (26), 1-15 (2017).
This paper uses a Factor-Augmented Vector Autoregressive specification, which allows for a larger information set covering both domestic and international developments, to measure the responses of five Euro Area economies to a one percent shock in government consumption and business confidence. The evidence suggests that even though the response to a government consumption shock is strong, a shock in expectations has an even greater effect. This points out to the fact that perceptions about the future and trust in the policymaker are much more important than previously considered. Thus, especially in (but not limited to) times of turbulence, or during efforts of stabilization and/or structural reforms, more emphasis should be placed on the overall credibility of the decisions, which could help to mitigate any potential adverse effects from the policies.

Sentiment, Order Imbalance and Co-movement. An Examination of Shocks to Retail and Institutional Trading Activity (with P. Chelley-Steeley and N. Lambertides)
European Financial Management (forthcoming)
In this research, we use order flow imbalance as a measure of sentiment to show that positive and negative shocks to sentiment lead to lower co-movement between portfolio and market returns in the post-shock period. We find an asymmetry is present as positive shocks to sentiment have less impact on co-movement changes than negative shocks. We also find that shocks to retail sentiment and the sentiment of two types of institutional investors leads to a reduction in co-movement. Positive shocks to institutional order flow imbalance lead to smaller reductions in co-movement than associated with retail shocks. These effects exist even after we control for firm specific and market-wide news.

Neglecting structural breaks when estimating and valuing dynamic correlations for asset allocation (with A. Halunga)
Econometric Reviews (forthcoming)
In this paper, we show at both theoretical and empirical level, that parameter regime changes in the dynamic conditional correlation models can lead to biased estimates of persistence. The analysis is confirmed by Monte Carlo simulations and by an application to weekly returns on five major stock indices in the context of asset allocation framework.

The Impact of Political Instability on Tourism: New Evidence from the Eastern-Mediterranean region (with A. Zopiatis, N. Lambertides and M. McAleer)
Journal of Travel Research (forthcoming)
In this work, we examine the impact of various shocks (instabilities) on tourism industry. Following the recent terrorist attacks in Paris, the European media emphatically pronounced that billions of euros were wiped from tourism related stocks. This comes at a troublesome time for the tourism industry, in the midst – or aftermath – of a global financial crisis, and the unpredictable rise of radical Islamic ideologies, which have caused chaos in the Middle East and Europe. The relationship and vulnerability of the industry to non-macro incidents, especially terrorism, and 'Acts of God' have been well documented in the literature, mostly in theoretical terms. Nevertheless, the quantifiable impact of such events on tourism-specific stock values, both in terms of returns and volatility, have received much less attention. With the use of an appropriate econometric methodology, the paper aims to enhance our conceptual capital pertaining to the effects of such possibilities on five hospitality and tourism stock indices. The empirical findings are of interest to stakeholders at all echelons of the spectra of the tourism and financial industries.

Idiosyncratic Volatility: Influence of Macro-Finance Factors (with N. Aslanidis, C. Christiansen and N. Lambertides)
Review of Quantitative Finance and Accounting (forthcoming)
In this work, we analyze the cross-sectional relation between expected idiosyncratic volatility and stock returns. As a novelty, the expected idiosyncratic volatility is obtained by conditioning on macro-finance factors as well as traditional asset pricing factors. The macro-finance factors are constructed from a large pool of macroeconomic and financial variables. Accounting for macro-finance effects in the idiosyncratic volatility eliminates the well-known idiosyncratic volatility puzzle. Portfolio analysis shows that the effects from macro-finance factors are economically strong. The relation between expected idiosyncratic volatility and returns does not vary with the NBER business cycles. The empirical results are highly robust.

The Risk and Return Conundrum Explained: International Evidence (with P. Theodossiou)
Journal of Financial Econometrics (*accepted for publication*)
The relationship between risk and expected returns has been investigated extensively in the financial economics literature. Theoretical models predict a positive relation between the two. Nevertheless, the empirical findings so far have been inconclusive. Using a generalization of the analytical framework developed by Theodossiou and Savva (2016), the risk-return conundrum is investigated across international stock markets. The investigation reveals that the contradictory findings are the result of ignoring the impact of skewness on the total price of risk. That is, in the absence of skewness the relationship between risk and return is positive as depicted by finance theory. However, negative skewness results in lowering the total price of risk and in some cases reverting its sign from positive to negative.