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**Funding retirement: Next
generation design**

ROBERT C. MERTON

Funding retirement is a growing challenge and it is a global one. Even in countries such as Australia, which embraced defined contribution plans two decades ago, there are questions about the adequacy of individual savings.

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**S&P/ASX 200: Does change in
membership matter?**

CAMILLE SCHMIDT, LUCY ZHAO
and CHRIS TERRY

Studies over recent decades of the return effects for the stocks added to and deleted from the S&P 500 have documented the so-called 'S&P game', where traders could profit from stock price reactions to changes in the index's composition. Studies on the All Ordinaries Index covering the 1990s also found profitable trading opportunities over the pre-announcement period. Our study of the effects of changes in the composition of the S&P/ASX 200 from its introduction (in April 2000) to June 2009 found these pre-announcement opportunities were eliminated but that potential exists for the 'S&P/ASX 200 game' between announcement and implementation dates.

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**The role of equity analysts in the
pricing of Australian CDS spreads
during the financial crisis**

ANDREW AINSWORTH
and JIRI SVEC

Understanding the key drivers of risk premia in times of heightened risk enables credit traders to assess more accurately market-implied corporate credit risk. By analysing the determinants of Australian corporate credit default swap (CDS) spreads we examine whether equity analysts' price forecasts played a role in the pricing of Australian CDS spreads during the financial crisis. Equity analysts' one-year-ahead stock price targets provide a proxy of cash flow uncertainty that should be reflected in firms' CDS spreads. We find that an increase in the dispersion of analysts' forecasts increases CDS spreads and, during financial crisis, equity-based market variables are more relevant to the pricing of CDS spreads than commonly used leverage and credit ratings.

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**Do rational speculative bubbles
exist in the Australian stock
market?**

GILBERT V. NARTEA and
BERT D. WARD

Using McQueen and Thorley's (1994) duration dependence technique, we examine whether the Australian share market was characterised by rational speculative bubbles over the period from 1985 to 2012. Our analysis of both monthly and weekly returns shows no evidence of rational speculative bubbles over the sample period. This suggests that the long run-up in stock prices and the subsequent drop in the mid-1980s and in the months prior to the global financial crisis of 2008 may have been due to either fundamental value changes or irrational investor behaviour.

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Sustainable withdrawal rates during retirement and the risks of financial ruin

LAKSHMAN A. ALLES F Fin

The importance of sustainable spending rates by retirees has been underscored by rapid population ageing and the lacklustre performance of markets and pension funds in the post-GFC period. This suggests that financial planners and advisors should pay more attention to the estimation of risk in retirement finance modelling in their analyses and advice to clients. This paper provides some useful guidance on the application of two available techniques in this regard.

Papers from the Melbourne Money and Finance Conference 2012

Finsia acknowledges the contribution of the papers from the 17th Melbourne Money and Finance Conference to this issue of JASSA. The conference — Recent Developments in Financial Regulation: An Assessment — was held in July 2012 by the Australian Centre for Financial Studies.

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Consumer protection in the financial sector: Recent regulatory developments

ROS GRADY

After examining the significant international and Australian developments in financial consumer protection, this paper indicates that new international principles and standards in this area lack cohesion and leave a number of important issues unanswered. It finds that there remains much work to be done.

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OTC derivatives in a post-GFC world: Australia's commitment to the G20

DAVID ROBINSON SA FIn and JANE HRONSKY

With the over-the-counter (OTC) derivatives market being identified as a key contributor to risk in the global financial crisis (GFC), this paper explores the implications of the regulatory response for the Australian OTC derivatives market. It highlights that the benefits of the proposed new institutional framework need to be considered relative to their potential costs.

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New Zealand insider trading regulation: A market assessment

BART FRIJNS SA FIn, AARON GILBERT and ALIREZA TOURANI-RAD F Fin

Many countries have taken what appears to be a tough stance on insider trading, treating it as a criminal offence. While this approach is often very popular with the general public, there is little evidence that these laws are effective. In this paper, we assess the market impact of two consecutive changes in insider trading regulation in New Zealand in the past decade, discussing the findings of two recent studies and the way forward.