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Article

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Study of the contagion mechanism for opening risk of emerging equity markets in BRICS countries: A pitch

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Abstract: This pitch letter outlines the application of Faff's (2015a) 2-page pitching template to my completed paper "Study on the Contagion Mechanism of Opening Risk and Emerging Equity Markets in BRICS Countries" and my personal reflection on the pitching exercise. Pitching research is shown to be a powerful tool for researchers and of great help to my current and future research work.

Keywords: Pitching Research, Contagion Mechanism, Opening Risk, BRICS

JEL codes: G10

1. Introduction

The pitch letter discusses the application of pitch template proposed by Faff (2015a and 2015b) to financial time-series research field. Currently, I am enrolled in the Ph.D program at Bond University, majoring in actuarial science, having finished my masters degree in May 2015. Everything is hard at the beginning. No exceptions for me. Recently, while doing my literature review, I found that it a real struggle in the early stages.

Actually, "Study on the Contagion, Mechanism of Opening Risk of Emerging Equity Markets in BRICS countries" was my Masters thesis, and the pitch template was completed as a "reverse" engineering exercise in September 2015, 2 months after I learnt about pitching research. It took me one week to finish the first version and another week to revise it. To understand the meaning of every item of pitch

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template was the first step. Faff (2015b) presents general and detailed introductions and descriptions of the pitch template, which I strongly recommend to every researcher, especially young researchers. The template summarizes my article in 2 pages, providing a clear structure and its main contents (see Table 1). Based on my experience, the pitch template turned out to be an efficient way to direct me in structuring my research project and literature review.

The remainder of this letter is organized as follows. Section 2 is a brief commentary on my completed pitch. Section 3 is my personal reflection on the pitch exercise, while section 4 is the conclusion.

2. Brief commentary on the application of the pitch template

Table 1 displays the completed pitch template of my Masters thesis. The basic research question (Item B) is “What is the contagion mechanism of equity markets’ opening risk in the BRICS”. According to the key papers (Item C), the contagion mechanism is a hot issue in the spatial economic research area. It hence can be seen in the motivation part (Item D) that I apply the spatial panel model to analyze the contagion mechanism of opening risk generated by the equity liberalization in BRICS countries. Following this is the core of the template based on a ‘3-2-1 countdown’, namely THREE elements - idea, data and tools; TWO questions - What’s new? and So what?; and ONE bottom line - contribution (Faff, 2015a).

The “Idea” part is considered to be of vital importance because it presents the logic and structure of your paper. When I finished this part, I realized some problems which might weaken my arguments. Then I solved them in the next week with help of more references and my mentors. “Data” and “Tools” (see Table 1) expand the “Idea” part, including data sources, data processing, research methods and so forth.

In addition, “What’s New” gives the novelty, which distinguishes your article from others. In my paper, I constructed a Political-Economic-Cultural (PEC) spatial weight matrix for the spatial panel model and added a pure contagion effect to Masson’s (1998) financial crisis contagion model. Hence, with an advanced spatial econometric research method and PEC spatial weight matrix, the article proposed applicable suggestions for emerging economics (see Item I, “So what”). Under the “3-2-1” framework, the “Contribution” item completed the “countdown”.

The final item is “Other Considerations”. For me, it played a role of challenging me to further understand the limitations and other useful issues in the article.

Another highlight of pitching research is “Mickey Mouse” diagram. As shown in Figure 1, it delivers the information about the main concepts of my paper, namely, opening risk, contagion mechanism and BRICS.

Given my positive experience with this exercise, I feel that the pitch template is an imperative for my current and future research work. It inspires me to make progress for my academic “journey”.

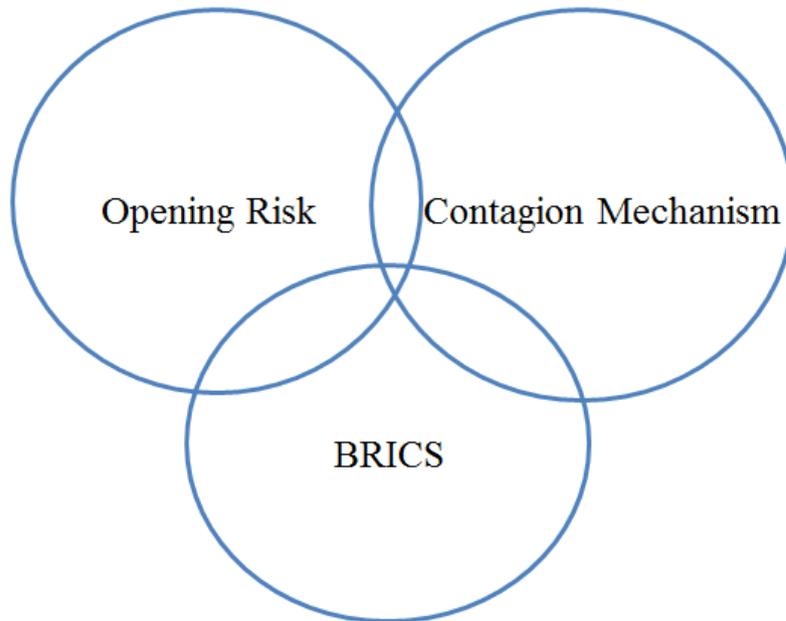


Figure 1. Mickey Mouse diagram characterizing novelty of research idea

3. Personal reflection on the pitch exercise

As Faff proposed, “You are about to spend the next few years working on your research, but you have no idea where and how to start, you need a reliable plan.” I cannot agree more with this statement. With a reliable plan, you are directed to come up with new ideas and produce an efficient research project. Pitching research should not be accepted as gospel, but at least it will light your way.

One month ago, I started my research topic “Financial wellbeing, literacy and actions over the course of retirement” and collected a few references. Due to the previous experience of the pitch template, I ordered them by importance, and was focused on the three key papers (Lusardi & Mitchell, 2005; Gerrans *et al.*, 2014; Taft *et al.*, 2013). The next important thing was to narrow my research topic. Then

I completed the pitch templates of these key papers one by one. By doing this exercise, their motivations and ideas inspired me a lot and as a result, my first topic was formed four weeks later, called “Consumption patterns over the course of retirement”. The topic consists of the first two issues drawn from the prior broad topic, “financial wellbeing and literacy”, aiming to study the impact of retirement on retirees’ consumption patterns.

Recently, I am focused on my own pitch template, and working on the “Idea” part. It depicts a reliable and systematic plan of my topic. Following the guide of the pitch template, I feel more comfortable and confident in my research “journey”, and I cannot wait to see the completion of my pitch template.

4. Conclusions

This letter outlines my completed pitch template and reflections on pitching research. In fact, pitching research has already become a trend in academia. It is readily adaptable to many fields, a library of completed examples currently spans seventy one alternative research areas (Faff, 2015b). I learned a lot from others’ pitch templates and attended a pitch competition held at the University of Queensland, witnessing the power of pitching research. The “non-linear” pitch template is of great importance to young researchers. To sum up, the template has already been an indispensable research tool for my Ph.D program and future research work.

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Table 1. Completed 2-page pitch template on study of the contagion mechanism for opening risk of emerging equity markets in BRICS countries

Pitcher's Name	Rui Xue	FoR category	Finance	Data Completed	10/09/2015
(A) Working Title	Study of the Contagion Mechanism for Opening Risk of Emerging Equity Markets in BRICS Countries				
(B) Basic Research Question	What is the contagion mechanism for equity markets' opening risk in the BRICS?				
(C) Key paper(s)	Gang, L., Haomin, P. and Wei, J. 2009. Spatial statistical analysis on the contagious paths of financial crisis. <i>Statistical Research</i> , 26(12), 81-87. Zhanyun, W. 2010. Study on the spatial-temporal contagion mechanism of 2007- 2009 Financial Crisis. <i>Ph.D Degree Dissertation, East China Normal University, Shanghai, China.</i>				
(D) Motivation/ Puzzle	Equity Liberalization of emerging economics on one hand could promote the economic development and financial investment. However, it is inevitably exposed to the potential market volatility, even financial crisis. It is of great importance for emerging economics to make strategies of how to deal with the opening risk generated by the equity liberation. And the important issue is to figure out what the contagion mechanism of the opening risk is. As BRICS countries are the typical emerging economics, so the study is focused on BRICS.				
THREE	Three core aspects of any empirical research project i.e. the "IDioTs" guide				
(E) Idea?	The hypothesis needed to be test is whether the opening risk could be contagious among BRICS countries or not, if it could, what is the mechanism. 1) It first defines the opening risk and displays a basic quantitative analysis. 2) Then based on Masson (1998) financial crisis contagion theory, it divides the contagion effects into Monsoonal Effect and Spillover Effect. In addition, it adds pure contagion as the third effect to Masson's model. 3) Establish two spatial weight matrices, based on geographical weight and politics-economy-culture (PEC) weight respectively. 4) Utilize Moran-I spatial correlation test and spatial panel model to estimate the data by geographical weight and PEC weight respectively. 5) Propose suggestions for the emerging economics on how to deal with opening risk of equity liberation.				
(F) Data?	1) The stock market index data of BRICS is sourced from world bank database. 2) The GDP growth rate data is sourced from MEI database. 3) The REER and CPI data is sourced from IFS (from IMF) database. 4) The PEC weight matrix is the Index of Economic Freedom, made by The Heritage Foundation and The Wall Street Journal.				

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Pitcher's Name	Rui Xue	FoR category	Finance	Data Completed	10/09/2015
(G) Tools?	1) The spatial weight matrices are run by Geoda software. 2) The Moran-I spatial correlation test and spatial panel model is run by RStudio.				
TWO	Two key questions				
(H) What's New?	1) Since spatial panel model is used to analyze the contagion mechanism, the estimation of pure contagion could be possible, which is novel to the traditional Masson theory. 2) The PEC spatial weight matrix is used for the spatial panel model, which is based on a country's politics, economy and culture.				
(I) So What?	1) The article proposes applicable suggestions for emerging economics to make targeted macroeconomic development strategies. 2) The new properties of opening risk show that political, economic and cultural relations among emerging economics are becoming closer and closer, so the spatial statistic analysis tends to be more indispensable to such problems.				
ONE	One bottom line				
(J) Contribution?	1) It expands the research subject from single country to BRICS countries regarding opening risk research, providing new research method for multinational economic studies. 2) It defines the opening risk by a quantitative way and implements quantitative analysis. 3) Spatial correlation test and spatial panel model are used to construct the empirical analysis model. 4) The PEC spatial weight matrix would be valuable for other economic problems.				
(K) Other Considerations	It would be beneficial to collaborate with politicians on deeper suggestions due to the empirical result. The construction of PEC spatial weight matrix is challenging. Competitor risk would be moderate (The subjects are BRICS countries' equity market opening risk, which is uncommon and the econometric method could make it more competitive.) No result risk: Low. The PEC weight matrix can be applied to other economic research field. Limitation: The index selection of opening risk variable is controversial.				