DESCRIPTION FOR THE GENERAL PUBLIC

The research project covers the area connected with a comprehensive assessment of excess gains (abnormal rates of returns) realised in some specific cases on investment in equities. Its essence is the notion of market anomalies. They can be observed in connection with company fundamentals and other broadly defined stock characteristics. For instance, the average return on investment in small companies in supposed to be substantial. Seasonal irregularities have also been detected when unexpected returns appear for some trading days, e.g. the relative returns were much higher for Fridays and lower for Mondays. The next group of anomalies accompanies important company events. One of the most excessively discussed are high initial returns after equity public offerings. If the revealed market anomalies appeared to be not apparent but are also the phenomenon with consequences for the real economy, then the spectacular market participants' interest in such possible excess returns should not be surprising.

However, some of market anomalies appeared to be significant only for certain markets, in some periods or in specific economic conditions. Some anomalies have been diminishing, weakening or even reverse themselves with the years. It is the argument for the continuation of the research in this area. A vast number of empirical research on market anomalies was dominated by studies for the USA or other developed countries. Although the US-centred empirical studies do not dominate the academic literature as much now as it was in the past, empirical works covering emerging markets are still insufficient, which is especially true for the years covering the latest financial market turbulences. The Warsaw Stock Exchange has been one of the most dynamically developing European markets for several years. It has been an unquestionable leader in Central and Eastern Europe in terms of key market indicators. It makes the Polish stock exchange an interesting and important research area. As most of market irregularities were heavily explored on the basis of US data, testing the anomaly existence on an independent sample with data different from those in which anomalies were originally discovered, would be a kind of solution here. It makes the research for Poland, an emerging market, reasonable and necessary.

The main aim of this research project is to determine the economic and statistical significance of the asset pricing model choice for anomalous equity returns. Market anomalies can be defined as empirical findings inconsistent with the predictions of accepted asset pricing models. The essence of anomalies detection is based on the comparison of average risk-adjusted returns for portfolios. Hence, the estimation of model-implied expected returns and proper risk adjustment are crucial. Anomalies can only be defined relative to the "normal" stock returns described by a model and any misspecification of them, results in a failure of real anomalies recognition. Here, a broad set of models will be engaged. Some of them - in the basic or modified version – have not been empirically tested for the Polish capital market.

The vast set of pricing models differentiated on the parametrisation stage and applied to test most of the existing stock market anomalies and a unique database construction, along with the broad set of robustness check procedures creates the potential and originality of this research project. It will also allow to include country-specific factors as emerging markets are supposed to have different risk and return characteristics than developed markets. The project results will enrich the discussion around risk factors as such, and particularly those characteristic for Poland. Research conclusions will fill in the gap in the academic debate and expand the theoretical knowledge about firm's functioning on the capital market.