

NEWS RELEASE

Wilfrid Laurier University



Contacts: Julia Ann Easley
WLU Information Officer
(519) 884-0710 ext. 3070

Mary Lou McKeever, Administrator
Toronto Society of Financial Analysts
(519) 366-5755

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Savings bond campaign affects bond prices, WLU profs say

Waterloo, Ont. (Jan. 20) — The federal government's annual Canada Savings Bond campaign results in significantly higher bond returns in the last quarter of the year, according to the award-winning research of two professors of business at Wilfrid Laurier University in Waterloo.

George Athanassakos and Yisong Tian have won the 1994 Toronto Society of Financial Analysts Research Award. They will present their winning paper at a reception hosted by the society at the Board of Trade at First Canadian Place in Toronto at 4 p.m. on Tuesday, Jan. 24.

The award committee, including both academics and practitioners, evaluated a number of submissions on the basis of their pertinence to Canadian capital markets, originality, internal consistency of analysis, and usefulness to practicing analysts.

The winning paper examined four equally weighted bond return indices for each quarter from 1963 to 1990. They included short-, medium, and long-term bonds.

"Funds raised from Canada Savings Bonds reduce the need for funds from Treasury bonds and/or T-bills in the fourth quarter of the year," the professors write. "The reduced supply of Treasury bonds and/or T-bills leads to higher bond and/or T-bill prices, and directly or indirectly to higher bond returns."

The initial series of Canada Savings Bonds went on sale in the fall of 1946 and the bonds have been offered for sale each November since.

Their research results are consistent with the fact that no seasonality in Treasury bond returns was found in the U.S., where savings bonds are sold throughout the year.

Athanassakos also won the TSFA award in 1991 with a paper entitled "Professional Portfolio Managers, Portfolio Rebalancing, Conflict of Interest Problems, and the January Effect."

With 1,600 members, the society is the third largest association of financial analysts in North America.