



SDI Review Form 1.6

Journal Name:	<u>British Journal of Economics, Management & Trade</u>
Manuscript Number:	2013_BJEMT_8003
Title of the Manuscript:	The importance of derivatives for the best functioning of the financial markets and the privileged choice of the uninformed traders
Type of the Article	

General guideline for Peer Review process:

This journal's peer review policy states that **NO** manuscript should be rejected only on the basis of '**lack of Novelty**', provided the manuscript is scientifically robust and technically sound.

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PART 1: Review Comments

	Reviewer's comment	Author's comment (if agreed with reviewer, correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)
Compulsory REVISION comments	1. P1. Line 28. Please provide references when you mention "many studies confirmed..." 2. P2. Line 65. "Weekness" is a typo. 3. P2. Line 68. "Awlays" is a typo. Also in P4 line 119. Please carefully proofread your manuscript before submission. I will not correct typos for you anymore. There are so many of them: at least 50 typos I can find! 4. P6. Line 174-176. This is a theory related mistake. Simply judging the efficiency of the index based on the skewness/kurtosis/J-B value is wrong. The nature of market portfolio return is associated with fat and asymmetric tails, and this can be due to the mental accounts of investors, risk control preference heterogeneity of investors, and volatility contagion across international markets. Without a sound proof of the existence of insider trading while excluding all other possibilities, your conclusion cannot stand. 5. P6. In all the unit root tests, which criteria do you use to determine the lag value? AIC/BIC? Please tell your reader that the number of lags are correctly identified so the unit root tests are reasonable.	Thanks for your comments - I reread my work and I have corrected several errors typing and grammatical errors. -The Distribution of this variable does not follow the normal distribution. The characteristics of this variable assumes the existence of abnormal fluctuations indicating that the strategies of agents in these markets do not seem effective an informational point of view, and that these products are subject to information which disclarifie the future trends of courses Before we apply the Dickey-Fuller test, we determined the number of lags p that minimizes the Akaike and Schwartz criteria for the three models (with constant and trend (trend and intercept), with constant (intercept) without trend or constant (none)).



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	6. Table 2: since the price of CAC40 has a unit root, why don't you use the return of it, as the first-order-difference of the price series is stationary? 7. P13 line 287-291. The author(s) made a severe mistake by mixing up the statistical significance with theoretical significance. While the causality test results are significant, those only mean that in the following equations, the coefficients are non-zero: For a bivariate linear autoregressive model with pairwise variables X_1 and X_2, the test regression is:	-The values of Akaike and Schwartz criteria summers provided by the Eviews software we noticed that in certain cases the Akaike criterion is minimized for the three models for a number of delays $p = 1$, while the Schwartz criterion is minimized for $p = 0$. Following the principle of parsimony, we chose the number of lags to estimate the minimum number of parameters, i.e., $p = 0$. In the test, we simply use Dickey-Fuller (DF), so there is no autocorrelation of errors. For others the criterion of Schwartz $p = \max 4$ for each case we sought the optimal number between 0 and 4, that minimizes the 3 criteria of information, we chose the optimal number of delay for the variable of maturity (put) = 4 and for the variable of exercise prices = 3. and we choose the ADF test
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	$X_1(t) = \sum_{j=1}^p A_{11,j} X_1(t-j) + \sum_{j=1}^p A_{12,j} X_2(t-j) + E_1(t)$ $X_2(t) = \sum_{j=1}^p A_{21,j} X_1(t-j) + \sum_{j=1}^p A_{22,j} X_2(t-j) + E_2(t)$ If the variance of $E_1(t)$ is improved by adding X_1 or X_2, it implies that X_1 or X_2 Granger causes X_2 or X_1. However, this does NOT conclude that the logical causality stands. In fact, when you mention that “The variability of the CAC40 index is very sensitive To the « Calls » since the statistics of different components of contract in advanced term are statistically significant” this is simply because the volatility is an endogenous variable! It is positively linked with the value of call options, and as a measure of risk, it is also positively linked with the return of the market portfolio.	
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<u>Minor</u> REVISION comments		
<u>Optional/General</u> comments	1. Idea: the idea of this paper is good. Though the study of asset drift from underlying market to derivative market is not new, I haven't seen research based on CAC 40 <i>per se</i>. 2. Reference: the paper needs, to a great extent, more recent references. 3. Method: normal and not convincing (see my above opinion 7) 4. Data: according to your line 129, the data is just for the year 2008. The degree of freedom is thus too small for intensive time series regression. Just the year 2008 can lead to biasness. 5. Conclusions and results: theoretical mistakes are made so the conclusions are not meaningful. 6. Writing: very poor. Many grammatical mistakes. Hard to read.	I reread my work and I have corrected several errors typing and grammatical errors. I also reformulated my conclusion. I updated my study with more recent bibliographic references