SHANE MAGEE

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Education
PhD candidate, Macquarie University Applied Finance Centre, 2006 to present
Expected completion date: December 2008

Master of Applied Finance, Macquarie University Applied Finance Centre, 1999

Bachelor of Commerce in Accounting, University of Newcastle, 1994

Working Papers
Does Foreign Currency Derivatives Use Affect the Probability of Financial Distress?
To be presented at the Accounting and Finance Association of Australia and New Zealand 2008 conference

Foreign Currency Hedging and Firm Value: A Dynamic Panel Approach

Research Interests
Empirical Corporate Finance, Corporate Risk Management

Scholarships and Prizes:

2006 to present	Macquarie University PhD scholarship in Applied Finance
1999	Best overall performance in the Master of Applied Finance, Macquarie University (Sydney class)

Teaching Experience

2003 to present	Lecturer in Financial Instruments, Master of Applied Finance, Macquarie University

Industry Experience

1999 to 2005	Citigroup, rising to Senior Vice President – Corporate Treasury. Responsible for funding, liquidity management, capital management, and managing foreign currency and interest rate risks.
1994 to 1999	Bankers Trust, Accountant

Supervisory Committee and Referees

Associate Professor Don Adams
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Working Paper Abstracts

Does Foreign Currency Derivatives Use Affect the Probability of Financial Distress?

This paper investigates the effect of foreign currency hedging on the probability of financial distress using a sample of 401 large U.S. nonfinancial firms. I use Merton's (1974) option pricing model to compute firms' distance to default as a proxy for their probability of financial distress. Using an instrumental variables approach to control for endogenous hedging and leverage, I find that the amount of foreign currency hedging is associated with a greater distance to default, and hence a lower probability of financial distress. Whereas previous research finds that the probability of financial distress is a determinant of a firm's hedging policy, this paper provides direct evidence supporting the hypothesis that the amount of hedging reduces a firm's probability of financial distress.

Foreign Currency Hedging and Firm Value: A Dynamic Panel Approach

This paper uses a dynamic panel approach to examine the effect of foreign currency hedging on firm value using a sample of 408 large U.S. nonfinancial firms. Consistent with prior research, I find that foreign currency hedging is associated with an increase in firm value when foreign currency hedging is assumed to be strictly exogenous. However, I find that foreign currency is related to past levels of firm value and therefore fails the strict exogeneity assumption. Using generalized method of moments to control for the failure of the strict exogeneity assumption, I find that foreign currency hedging no longer affects firm value.