



Asian Financial Economics and Policy

Volume I, Issue 2, October 2026

ISSN: 3116-5575 (Online)

<https://journal.ijhba.com/index.php/afep>

<https://slsipress.com>

Exuberance amid Fragility: Speculative Risk-Taking, Debt-Financed Growth, and Financial-Stability Policy in Asian Economies under Tight Global Conditions

Shuangxin Chen, PhD and Ramon George Atento, PhD¹

¹Lyceum of the Philippines University - Manila

¹Ramon.Atento@lpu.edu.ph

Abstract

Financial risk-taking in several Asian economies appears to be expanding under conditions that would ordinarily restrain it, including restrictive global monetary policy, energy-price shocks, and geopolitical uncertainty. This paper develops a conceptual account of this divergence between risk appetite and macro-financial fundamentals. Through an integrative review of the literature on financial cycles, retail derivatives trading, quasi-fiscal debt, international financial transmission, and financial regulation, it argues that three phenomena usually studied separately are related expressions of a common structural condition: retail speculative risk-taking, debt-financed state-led growth, and policy-directed capital allocation. In each, the perceived price of risk is suppressed below its underlying level. The suppression works through cognitive bias and platform design in retail markets, implicit guarantees in sub-sovereign borrowing, and policy mandates in state-directed lending. The analysis distinguishes two temporal forms of the divergence: losses that are realized but fail to discipline participation, and losses that are deferred and accumulate within balance sheets. It suggests that restrictive monetary and energy conditions may do less to restrain these channels than to raise the severity of eventual reversals, because the suppression mechanisms are largely insensitive to funding costs. Because each channel falls between the mandates of securities, macroprudential, and fiscal authorities, segmented surveillance creates a structural blind spot. The paper presents an integrative framework and five propositions, and derives implications for macroprudential policy, investor-protection regulation, fiscal transparency, and coordination across supervisory mandates. The framework is conceptual and untested. It identifies conditions under which vulnerability accumulates rather than predicting crises, and it provides a basis for future empirical investigation.

Keywords: *financial stability; risk appetite; retail derivatives trading; quasi-fiscal liabilities; macroprudential policy; financial instability hypothesis; Asian economies*

1. Introduction

Financial markets in late 2026 present a conspicuous contradiction. Monetary conditions remain restrictive across much of the world economy. Energy prices have risen sharply amid geopolitical conflict, and uncertainty about trade, fiscal sustainability, and growth has not receded. The disruption of oil transit through the Strait of Hormuz, for instance, has coincided with a sharp rise in crude prices and with measurable shortfalls in equity performance relative to trend (R. G. Atento, Atento, & Espelita, 2026). Under such conditions, conventional financial reasoning would predict caution: lower leverage, more defensive portfolios, and a greater premium on liquidity and balance-sheet strength. Yet observed behavior points in the opposite direction. Contemporaneous financial press reporting indicates that trading in options on individual equities has returned to levels last associated with the speculative retail episode of 2021, sustained this time not by isolated "meme" securities but by broad optimism about artificial intelligence, corporate earnings, and a renewed pipeline of large public offerings. Risk appetite, in other words, appears to be expanding at precisely the moment when the macroeconomic fundamentals that ordinarily discipline it are deteriorating.

This contradiction is not confined to household investors in advanced-economy markets, nor to equity trading alone. Across Asia, retail participation in leveraged and derivative instruments has expanded markedly over the past several years. In India, the securities regulator has documented that the large majority of individual equity derivatives traders incur net losses, yet participation has continued to grow (Securities and Exchange Board of India, 2024). At the level of the state, debt-financed growth strategies have accumulated substantial leverage. In China, a significant share of that leverage sits with local-government financing vehicles and state-linked enterprises, whose liabilities are fiscal in substance but frequently off-balance-sheet in form (Bai et al., 2017; Zhang & Tsai, 2024). Meanwhile,

governments in major economies are directing substantial capital toward strategically favored industries through industrial-policy instruments, whose commercial viability is often contested and whose financing structures can transfer risk to public balance sheets. Viewed separately, each of these developments has a familiar explanation. Viewed together, they suggest a more general condition that warrants systematic analysis.

The conceptual territory of this paper is defined by three related constructs. Risk appetite refers to the willingness of households, firms, and states to assume financial exposure in pursuit of expected returns or policy objectives. Macro-financial fundamentals are the underlying conditions that justify or constrain such exposure, including the cost of funding, income and output prospects, external balances, and the sustainability of debt. The divergence between the two is the condition in which risk-taking expands independently of, or contrary to, movements in fundamentals. The divergence matters because it describes the circumstances under which financial vulnerabilities accumulate most rapidly and are recognized least readily. Exposures built during periods of decoupled optimism tend to be repriced abruptly, and the costs of that repricing are rarely confined to those who assumed the original risk.

For Asian economies, the stakes are considerable. Many are open to cross-border capital flows, sensitive to movements in global interest rates and the US dollar, and dependent on imported energy. Elevated risk-taking can therefore be transmitted to them from global markets as readily as it is generated domestically. Household participation in speculative instruments exposes savings and consumption to market reversals. Accumulated quasi-fiscal debt creates contingent liabilities that may ultimately crystallize on sovereign balance sheets, constraining fiscal space at the moment it is most needed. Capital directed toward politically favored sectors may misallocate credit, weaken productivity, and leave lending institutions holding impaired assets. These concerns lie at the center of financial stability, household financial resilience, public-finance sustainability, and the design of financial regulation. They also reflect a broader need for regionally grounded research that examines Asian financial systems through the combined lenses of markets, institutions, macroeconomic structure, and policy (Feng, 2026).

The scholarly treatment of these phenomena, however, remains fragmented. Research on retail speculation has developed largely within behavioral finance and market microstructure; it emphasizes investor psychology, trading-platform design, and individual outcomes, and pays comparatively little attention to systemic consequences. Research on sovereign, local-government, and corporate debt has developed within public finance and macro-financial analysis, often without reference to market-based or household-level risk-taking. The literature on industrial policy and state-directed credit is concerned primarily with development outcomes and only secondarily with financial-stability implications. Theories of the financial cycle and of endogenous financial instability provide a potential unifying lens, but they have been applied predominantly to bank-credit expansion and real estate booms. The institutional architecture of financial-stability surveillance shows a parallel fragmentation. It remains oriented toward bank credit, capital adequacy, and property-sector exposure, while securities regulators, macroprudential authorities, and fiscal authorities each observe only part of the risk landscape, and the mandates that would integrate their perspectives are often weak or absent.

The unresolved intellectual problem is therefore threefold. First, it is not established whether retail speculative risk-taking, debt-financed state-led growth, and policy-directed capital allocation are better understood as independent phenomena or as related expressions of a common divergence between risk appetite and fundamentals. Second, the mechanisms through which global financial conditions and domestic policy incentives sustain such a divergence in Asian economies have not been integrated into a coherent account. Third, it is unclear whether existing financial-stability frameworks can detect risk that accumulates outside the bank-credit channel, or whether their design leaves a structural blind spot.

The present paper addresses these questions through a conceptual integrative review. Its principal research question is the following:

How do retail speculative risk-taking, debt-financed state-led growth, and policy-directed capital allocation interact to produce a divergence between risk appetite and fundamentals in Asian economies, and what does this divergence imply for the design of financial-stability policy under tight global monetary and energy conditions?

In pursuing this question, the paper synthesizes the theoretical and empirical literature on financial cycles, credit booms, and financial instability as the foundational lens for interpreting the divergence. It examines the mechanisms through which retail speculation and debt-financed state-led growth accumulate financial risk, with particular attention to Asian market and policy contexts, and analyzes how global financial conditions, including interest-rate and energy-price shocks, are transmitted to and amplify domestic risk-taking. On this basis, it develops a conceptual framework and associated propositions that identify the channels, amplifiers, and surveillance blind spots of the divergence, and derives implications for macroprudential policy, investor-protection regulation, and fiscal transparency.

The argument proceeds from the premise that the contemporary episode of elevated risk appetite should be analyzed structurally rather than anecdotally. The specific developments that motivate the inquiry are illustrative

rather than evidentiary; their analytical value lies in what they reveal about a recurring pattern in which financial optimism detaches from economic foundations and risk migrates to locations that prevailing policy frameworks are poorly equipped to observe. The paper does not claim that any single channel causes financial crises, and it does not offer empirical estimates of their magnitude. Its contribution is an integrated conceptual account of how these channels accumulate vulnerability jointly, intended to inform both policy design and future empirical investigation.

2. Review of Related Literature

2.1 Financial Cycles, Credit Booms, and Theories of Financial Instability

A substantial body of long-run, cross-country evidence indicates that rapid expansions in credit and leverage are among the most reliable precursors of financial distress. Work on excessive credit growth and on the predictability of crises converges on the finding that credit expansion raises the probability of a subsequent crisis (Alessi & Detken, 2018; Greenwood et al., 2022; Jović, 2025; Schularick & Taylor, 2012). The relationship, however, is not linear. The most consequential refinement concerns the joint behavior of credit and asset prices. When rapid credit growth in a sector coincides with rapid price growth in the corresponding asset class over the preceding three years, the probability of a crisis within the following three years rises to roughly 40 percent, compared with about 7 percent when neither credit nor asset prices have been elevated (Greenwood et al., 2022). The literature has also widened beyond household and mortgage debt. Corporate debt booms appear to predict crises about as strongly as household debt booms and are associated with slower recoveries (Ivashina et al., 2024), and downturns that follow leverage booms tend to be deeper and more persistent than ordinary recessions (Van Der Hoog, 2017).

The evidence is not uniform with respect to timing. Market-based indicators such as credit spreads appear to improve forecasting within crisis episodes more than they provide long-horizon advance warning (Brunnermeier et al., 2021). This distinction matters. Vulnerability may be predictable in a probabilistic sense, yet the moment at which it materializes remains difficult to anticipate from market prices alone, because those prices may themselves reflect the optimism that conceals accumulating risk.

That optimism is the second strand of this literature. Investor risk appetite is procyclical: it rises with growth and positive returns and contracts sharply during crises, at both the household and investor level (Bucciol & Miniaci, 2018; Lippi & Rossi, 2020). At the aggregate level, the synchronization of global equity prices since the 1980s exceeds what dividends, risk-free rates, and real integration can explain, which points to a common risk-premium or sentiment factor (Jordà et al., 2019). Periods of aggressively priced credit risk tend to be followed by spread widening and weaker real activity, consistent with sentiment overshooting fundamentals and then correcting (Lopez-Salido et al., 2017). Monetary policy appears to act directly on this appetite, with accommodative surprises raising broad market risk-taking in ways not reducible to changes in expected cash flows (Bauer et al., 2023). Models of low-rate booms with heterogeneous intermediaries generate falling risk premia alongside rising systemic risk (Coimbra & Rey, 2024), a combination that describes, in formal terms, the decoupling of perceived risk from accumulated vulnerability.

The financial instability hypothesis provides the mechanism that links these findings. In its contemporary restatements, expansions endogenously shift financing structures from hedge positions toward speculative and Ponzi positions, so that fragility accumulates during the boom itself and is exposed by a shock, a rise in interest rates, or a reversal in sentiment (Ninomiya, 2021; Phan et al., 2024; Toporowski, 2020). Long-horizon historical reconstructions are consistent with this cyclical account (Porada-Rochoń & Škare, 2020), and theoretical extensions carry the same logic into housing markets, exchange-rate dynamics, and the financial cycles of emerging economies (Chamorro-Futínico, 2025; Kohler, 2019; Ryoo, 2016). Across these contributions, debt accumulation is the central necessary condition, and credit growth that is sectorally concentrated or tied to collateral booms is identified as especially dangerous (Greenwood et al., 2022; Ivashina et al., 2024; Phan et al., 2024). The literature also acknowledges a trade-off: credit deepening can support growth, and the hazard lies in over-extension rather than in credit as such (Van Der Hoog, 2017).

Two methodological tendencies limit the direct application of this literature to the present problem. First, the empirical record rests heavily on long-run panels dominated by advanced economies, with emerging Asian economies represented largely through theoretical extensions. Second, the risk-accumulation mechanism has been studied predominantly through bank credit, household mortgages, and corporate borrowing; leverage built through retail derivatives positions, or through liabilities held off government balance sheets, is not a central object of analysis. The foundational lens is therefore well established: risk appetite can detach from fundamentals during expansions, and leverage accumulated in that phase predicts later distress. Whether the lens extends to the channels through which contemporary risk is accumulating remains an open question.

2.2 Retail Investor Speculation and Derivatives Participation

The evidence on the outcomes of retail derivatives trading is unusually consistent across markets and methods: individual investors in options, futures, and leveraged products incur persistent net losses. In the United States, retail trades in equity and exchange-traded fund options lost money in aggregate over short holding periods, and execution costs embedded in bid-ask spreads substantially enlarged those losses (Bryzgalova et al., 2023). In India, the securities regulator's analysis of broker-level data covering roughly 90 percent of individual equity derivatives traders found that 92.8 percent incurred net losses over the 2022–2024 fiscal years, with options accounting for nearly all participation (Securities and Exchange Board of India, 2024). Studies that decompose trader performance find that simple directional strategies, particularly the purchase of single-leg calls, systematically underperform more sophisticated volatility-based strategies (J. Hu et al., 2023), and high-frequency evidence on retail derivatives confirms that transaction costs and feedback trading compound these losses (Baule et al., 2024).

The literature on why retail investors participate despite these outcomes is more fragmented and methodologically weaker. Its recurring explanation combines cognitive bias, limited financial literacy, and the design of trading platforms. Herding, overconfidence, and sensation-seeking are repeatedly identified as determinants of participation (Khurana et al., 2024; Mageswari & Sasirekha, 2024; Ramesh, 2025), and gaps in understanding of margin and leverage mechanics lead investors to underestimate the risks they assume (Alam, 2025; Bajpai, 2024). Survey evidence from the Philippines similarly associates individual investment decisions with attitudes toward investment, capital market knowledge, and income, among respondents reporting relatively high risk tolerance (Lantin-Magana et al., 2026). Retail derivatives are widely used as lottery-like instruments for short-term speculation rather than for hedging (Ramesh, 2025; Sontakke & Gongale, 2026). Gamified interfaces and app notifications reduce deliberation and encourage impulsive, high-frequency trading (Ashima & Nirala, 2026), and investment products increasingly borrow design principles from gambling (Newall & Weiss-Cohen, 2022). Retail activity also concentrates around market openings and attention-grabbing events, consistent with limited attention and sentiment-driven trading (Y. Li et al., 2021). At the macro level, digital connectivity has been linked to larger equity market capitalization across ASEAN-5 economies, which suggests that digital access shapes the scale of market participation in the region (Lantin-Magana & Atento, 2026). A methodological asymmetry runs through this body of work. Evidence on losses and market effects derives largely from transaction-level microstructure data in established markets, whereas evidence on motivations, particularly in South Asian contexts, derives predominantly from investor surveys and perception studies. The latter are useful for identifying candidate mechanisms but limited for establishing them.

The more consequential question for the present paper is whether retail speculation matters beyond the individuals who bear the losses. Here the literature points toward effects on market quality rather than on systemic stability. When retail participation rises, the information content of options volume for future returns diminishes, indicating a shift toward noisier order flow (Cashman et al., 2025), and evidence from China likewise connects retail trading to patterns of return predictability (Jones et al., 2024). Concentrated retail demand for short-dated, out-of-the-money calls distorts the implied volatility surface (Eaton et al., 2026). Where regulators raised option contract sizes to reduce retail participation, intraday volatility and quoted spreads fell (Lee et al., 2026).

Retail speculation therefore degrades price informativeness and raises volatility. Whether it also contributes to systemic vulnerability, through channels such as household balance-sheet stress, broker leverage, or correlated liquidation during reversals, is far less studied. The literature has largely treated retail derivatives trading as a matter of individual welfare and market microstructure, and its connection to the financial-cycle mechanisms reviewed in Section 2.1 has not been made explicit. This disconnect is directly relevant to the present paper's argument that retail speculation is one channel through which risk appetite detaches from fundamentals.

2.3 Debt-Financed State-Led Growth and Quasi-Fiscal Liabilities

The literature on debt-financed state-led growth in Asia is dominated by the Chinese experience, and its central conclusion is that off-balance-sheet borrowing by subnational governments has generated substantial fiscal and financial-stability risks. Local government financing vehicles were established to fund infrastructure while circumventing formal budgetary constraints, and they expanded dramatically after the stimulus that followed the 2008 global financial crisis (Bai et al., 2017; Bao et al., 2024; Guo et al., 2025). Although formally separate corporate entities, these vehicles are widely understood to carry implicit local-government guarantees. As a result, banks and shadow lenders have accumulated large exposures whose credit risk is effectively sovereign but whose accounting treatment is not (Dai, 2020; Guo et al., 2025; Zhang & Tsai, 2024).

The financing model links local solvency to the property cycle through dependence on land-sale revenues, leaving municipal finances vulnerable to real estate downturns and connecting fiscal risk to property-market risk (Ang et al., 2023; M. Hu et al., 2021; Pan et al., 2017). Inter-jurisdictional competition for growth has encouraged borrowing

beyond what local fiscal capacity can sustain (Pan et al., 2017), and the interpenetration of municipal debt, shadow banking, and property development has been characterized as a distinct "fiscal shadow" segment of the financial system (Zhang & Tsai, 2024). More recent work has turned to measuring these risks through multi-source indicator systems and to the legal complexity of resolving them (Guo et al., 2025; K.-J. Li & Chen, 2025).

A parallel literature examines policy-directed credit allocation and finds a consistent association with capital misallocation. Because state banks pursue policy objectives and perceive state-owned enterprises as implicitly guaranteed, credit flows disproportionately to state entities with soft budget constraints, while productive private firms face rationing (Liu et al., 2017; Lv, 2018; Ye et al., 2021). The consequences include overinvestment, persistent capacity overhangs in heavy industry, and aggregate productivity losses (Fu, 2021; Z. Li, 2021; Yuan & Zhou, 2022). Comparable patterns have been documented in Vietnam, where state-owned enterprises absorb a disproportionate share of credit with substantial productivity costs (Bach, 2019; P. Le, 2022), which indicates that the phenomenon is not uniquely Chinese.

The literature is not unanimous on the source of the distortion. One line of analysis asks whether misallocation stems primarily from financial frictions or from deliberate policy distortions (Wu, 2017), a distinction that matters for whether liberalization or reform of state incentives is the more relevant remedy. Evidence on selective interventions is also mixed: some green-finance policies appear to improve investment efficiency (Wang & Shao, 2024), while others interact with banking competition to entrench low-end activity and worsen misallocation (Jiang & Zhang, 2026).

For the present paper, this literature establishes two points of direct relevance. First, quasi-fiscal borrowing creates contingent liabilities whose risk is mispriced precisely because implicit guarantees suppress perceived default risk; this is a form of decoupling between risk-taking and fundamentals that operates through institutional design rather than investor sentiment. Second, policy-directed allocation channels credit toward activities whose returns may not justify their financing, accumulating impaired assets within the financial system. Two limitations temper these conclusions. The evidence is heavily concentrated on China, with limited comparative coverage of other Asian economies, and the reviewed literature does not extend to industrial-policy finance in advanced economies, so comparisons with contemporary strategic-investment programs elsewhere must remain illustrative rather than evidentiary.

2.4 Global Financial-Cycle Transmission and Asian Spillovers

The literature on international transmission establishes that financial conditions in Asian economies are shaped substantially by external forces, above all US monetary policy. Federal Reserve policy is identified as a principal driver of the global financial cycle (Miranda-Agrippino & Rey, 2020). US tightening is associated with retrenchment in cross-border credit flows, dollar appreciation, rising risk aversion, and wider borrowing spreads in emerging economies, and these effects operate even under flexible exchange rates (Hu & Yuan, 2025; Miranda-Agrippino & Rey, 2020; Ogawa & Wang, 2016). Unconventional easing has the opposite effect, stimulating equity inflows and compressing yields across emerging Asia (Andreou et al., 2021; Tran & Pham, 2020). Asian equity markets show substantial co-movement with US financial conditions, and spillovers from both the United States and China are significant for regional economies (Beirne et al., 2023). Global liquidity spillovers into the Asia-Pacific operate through both policy-driven and market-driven channels (C. Le et al., 2024).

The transmission mechanism is increasingly located at the level of balance sheets. Foreign-currency debt and corporate leverage amplify the effect of US rate shocks, reducing investment among highly leveraged firms and raising financial-stability risks in East Asia (Hu & Yuan, 2025; Shen, 2025), and Asian central banks respond to these spillovers in ways that partly import US monetary conditions (Pham & Nguyen, 2019). The evidence is not entirely one-directional, however. Capital inflows into some Southeast Asian economies appear to remain anchored to domestic output rather than to short-term external shocks (Aliman et al., 2023), which suggests that exposure to the global cycle varies with economic structure and the composition of capital flows. Within ASEAN, capital markets have moved in structurally divergent directions, and the Philippines has combined declining market capitalization with the highest portfolio investment volatility among regional comparators (Chen et al., 2026). Domestic macroeconomic regimes differ as well: the relationship between inflation and per-capita growth has been found to be nonlinear and country-specific in China and the Philippines, with no single common threshold (Chen & Atento, 2026).

The literature on oil shocks yields a more conditional picture, because effects on Asian financial markets depend on the source of the shock. Demand-driven price increases associated with global expansion tend to raise Asian equity returns (Koh, 2017), whereas precautionary and oil-specific shocks tend to depress returns and elevate financial stress (Azhari et al., 2021; Dagher & Hasanov, 2023). Asian oil-importing economies function predominantly as net receivers of energy-market volatility, with connectedness intensifying during stress episodes (Ashfaq et al., 2019; Behera, 2023; Tiwari et al., 2025), and the relationship is frequently nonlinear and varies across the return distribution

(Al-Hajj et al., 2018; Sinlapates & Chancharat, 2024). Effects on real activity can also run contrary to conventional expectations; in the Philippines, year-over-year increases in oil prices and dollar strength were positively rather than negatively associated with new business formation, a pattern attributed to accompanying demand, confidence, and remittance-linked purchasing power (R. G. Atento, Quinto, et al., 2026). Methodologically, this literature relies on structural vector autoregressions, connectedness measures, and regime-switching and quantile approaches. These are well suited to identifying transmission but less suited to explaining why domestic risk-taking might diverge from the conditions that external shocks would ordinarily produce.

The implication for the present paper is twofold. First, risk appetite in Asian economies cannot be understood as a function of domestic fundamentals alone, since a substantial component is set externally. Second, the transmission literature predicts that tight US monetary conditions combined with precautionary or supply-driven energy shocks should restrain risk-taking and raise financial stress in the region. If speculative risk-taking nonetheless expands under such conditions, that pattern is not readily explained by the standard transmission account, and this interpretive point sharpens the divergence the paper seeks to explain.

2.5 Macprudential, Investor-Protection, and Fiscal-Transparency Responses

The literature on policy responses suggests that existing frameworks are better designed for the risks of the past than for the channels through which contemporary risk accumulates. Macprudential tools remain predominantly entity-based and oriented toward banks, while systemic risk has migrated toward non-bank, market-based intermediation that relies on short-term funding, collateral valuation, and leverage (Croicu et al., 2023; Kuznetsova & Larina, 2024; Pessoa & Rochman, 2026). European evidence indicates that macprudential announcements contain systemic risk within banking, while measured systemic risk across the broader set of financial institutions rises (Jbir et al., 2023). Theoretical work identifies regulatory arbitrage as the mechanism: tightening bank capital requirements can shift intermediation toward less regulated entities, reducing policy effectiveness (Martínez-Miera & Repullo, 2019), and shadow intermediaries can magnify the externalities that macprudential policy aims to correct (Lubello & Rouabah, 2023). In the Philippines, fintech-affiliated firms used license-category arbitrage to operate nationally active digital banking platforms, prompting the central bank to respond with prudential reclassification requirements (Geca et al., 2026). Speculative bubble dynamics recur within shadow banking institutions (Croicu, 2026). For emerging markets in particular, institutional fragmentation and data gaps create macro-financial blind spots through which leverage and liquidity mismatches build outside the regulatory perimeter (Pessoa & Rochman, 2026). The recommended response is activity-based oversight that follows leverage, liquidity, and interconnectedness wherever they arise (Kuznetsova & Larina, 2024; Pessoa & Rochman, 2026).

Evidence on investor protection in derivatives markets is more encouraging but highly conditional. Caps on retail leverage in US foreign-exchange trading reduced trading volume and alleviated the losses of high-leverage traders without impairing market liquidity (Heimer & Simsek, 2019). By contrast, protective measures in the Polish contracts-for-difference market were undermined by cross-border brokers and aggressive marketing (Jarosz & Górný, 2025). European suitability and appropriateness tests have improved information collection, but whether they prevent mis-selling remains unresolved (Gortsos, 2025). Mandated loss-rate warnings have been implemented inconsistently and counteracted by deceptive choice architecture in trading applications (Andrade et al., 2025). In Asia, a retail-facing commodity derivative crisis in China revealed a mismatch between product complexity and investor capacity, attributable to weak margining and inadequate risk communication (Yan, 2025). The gamification of investing poses regulatory challenges that span financial and gambling oversight (Newall & Weiss-Cohen, 2022), and in India the regulatory framework remains oriented toward systemic risk rather than fairness to retail participants in algorithmically dominated markets (Singh, 2026). Private-law liability offers a supplementary enforcement route (Wallinga, 2019), but reliance on market participants to restrain leverage voluntarily has been criticized as structurally unreliable, given the profitability of leverage and competitive pressure (Bavoso, 2024).

The literature contains a recognized tension between protection and welfare. Restricting leverage reduces losses but may also curtail legitimate hedging or impose costs on participants who value speculative trading (Heimer & Simsek, 2019), and macprudential authorities likewise face trade-offs between welfare and volatility in regulating shadow intermediation (Lubello & Rouabah, 2023). The reviewed evidence is concentrated in European and US regulatory settings and draws substantially on legal-doctrinal analysis, with few systematic evaluations of investor-protection measures in Asian markets. Notably, the reviewed literature does not directly evaluate fiscal-transparency measures as a response to quasi-fiscal liabilities, so the relevance of fiscal transparency must be inferred from the literature on local-government debt reviewed in Section 2.3 rather than drawn from direct evidence on policy effectiveness. Taken together, this literature suggests that surveillance and regulation are segmented by institution and mandate, and that retail speculative leverage, non-bank intermediation, and quasi-fiscal liabilities each fall partly outside the frameworks designed to contain systemic risk.

2.6 Synthesis of Literature

Read together, the five bodies of literature converge on a coherent but incompletely assembled picture. The foundational premise is well established. Risk appetite is procyclical, it can detach from fundamentals during expansions, and leverage accumulated in that phase predicts subsequent distress, particularly when credit growth coincides with asset-price growth (Greenwood et al., 2022; Jordà et al., 2019; Lopez-Salido et al., 2017). The financial instability hypothesis explains why this occurs: fragility is generated by the boom itself rather than imposed from outside it (Phan et al., 2024; Toporowski, 2020).

The literatures on retail derivatives, quasi-fiscal debt, and state-directed credit each describe a domain in which risk accumulates outside conventional bank credit, and each identifies a mechanism through which the perceived price of risk is suppressed below its underlying level. In retail derivatives markets, the suppression operates through cognitive bias, limited literacy, and platform design that frames leveraged speculation as low-cost entertainment (Ashima & Nirala, 2026; Newall & Weiss-Cohen, 2022), with persistent and well-documented household losses as the outcome (Bryzgalova et al., 2023; J. Hu et al., 2023). In quasi-fiscal borrowing, it operates through implicit guarantees that make sub-sovereign credit risk appear sovereign (Guo et al., 2025; Zhang & Tsai, 2024). In policy-directed allocation, it operates through soft budget constraints and political mandates that detach lending decisions from expected returns (Liu et al., 2017; Ye et al., 2021). These literatures were developed independently, yet they describe a common structure: risk-taking sustained by mechanisms that obscure its cost. The transmission literature adds that risk appetite in Asian economies is shaped substantially by US monetary conditions and energy-market shocks, through capital flows and balance-sheet channels (Hu & Yuan, 2025; Miranda-Agrippino & Rey, 2020). The policy literature indicates that macroprudential, securities, and investor-protection frameworks each cover only part of this landscape, so that risk migrates toward the spaces between their mandates (Jbir et al., 2023; Pessoa & Rochman, 2026).

The evidence also conflicts at several points. Vulnerability appears predictable in probability but not in timing (Brunnermeier et al., 2021). Retail speculation clearly degrades market quality, but whether it contributes to systemic risk is largely unexamined. It is contested whether capital misallocation reflects financial frictions or deliberate policy distortion (Wu, 2017). Exposure to global spillovers appears to vary with economic structure (Aliman et al., 2023), and investor protection reduces losses at some cost to legitimate trading activity while remaining vulnerable to circumvention (Heimer & Simsek, 2019; Jarosz & Górný, 2025). These disagreements do not undermine the convergent picture; they identify where its boundaries lie.

2.7 Gaps in the Literature

Six gaps emerge from this synthesis. First, retail speculation, quasi-fiscal debt, and policy-directed allocation are studied in separate disciplinary traditions, namely behavioral finance and market microstructure, public finance, and development economics, and no integrated account examines whether they are related expressions of a common divergence between risk appetite and fundamentals or how they might interact. Second, financial-cycle theory has been applied predominantly to bank credit, housing, and corporate borrowing, and its logic has not been systematically extended to leverage accumulated through retail derivatives positions or through liabilities held outside formal government balance sheets. Third, the systemic dimension of retail speculation is underdeveloped: its effects on individual welfare and market microstructure are well documented, but its potential contribution to systemic vulnerability through household balance sheets, broker leverage, or correlated liquidation has received little attention.

Fourth, the transmission literature explains how external shocks restrain or stimulate risk-taking in Asian economies but does not account for conditions in which speculative risk-taking expands despite tight monetary conditions and adverse energy shocks, which is precisely the configuration that motivates the present inquiry. Fifth, the Asian evidence base is uneven. Evidence on quasi-fiscal debt is concentrated on China, evidence on retail derivatives motivations in South Asia relies heavily on survey-based studies, and evaluations of investor-protection measures come predominantly from European and US settings. Sixth, the policy literature evaluates macroprudential and investor-protection instruments separately, does not directly evaluate fiscal-transparency measures as a response to quasi-fiscal risk, and offers no framework for coordinating these three domains against risk that falls between their mandates.

2.8 Contribution of the Present Paper

The present paper addresses these gaps through conceptual integration rather than new empirical estimation, and its contribution is fourfold. First, it proposes the divergence between risk appetite and fundamentals as the construct that unites three accumulation channels, namely retail-market, quasi-fiscal, and policy-directed, and distinguishes them by the mechanism through which each suppresses the perceived price of risk. This extends the logic of financial-instability theory beyond the bank-credit domain in which it has principally been applied. Second,

it specifies how global monetary conditions, energy-price shocks, and dominant market narratives may sustain or amplify the divergence in Asian economies, offering a conceptual account of why risk-taking may expand under conditions that conventional transmission analysis would expect to restrain it. Third, it develops the argument that segmented financial-stability governance creates a structural blind spot, because each channel accumulates risk where bank-centric surveillance is weakest, and derives from this argument a set of theoretically grounded propositions. Fourth, it draws out implications for coordinating macroprudential policy, investor-protection regulation, and fiscal transparency, and identifies an agenda for future empirical work through which the framework's propositions could be tested. The framework is offered as an interpretive structure grounded in the literature, not as an empirically validated model.

3. Methodology

3.1 Research Design

The study adopts a conceptual integrative review design oriented toward framework development. It does not collect or analyze primary or secondary data, and it does not estimate statistical relationships. Its purpose is to synthesize literatures that have developed largely in isolation from one another and to derive from them an integrated conceptual account of how the divergence between risk appetite and macro-financial fundamentals arises, is amplified, and escapes surveillance in Asian economies. The design is appropriate to the research problem. The central question concerns how the relationships among three risk-accumulation channels should be understood, and that question is prior to measurement: the constructs must be specified and their interrelations theorized before they can be operationalized and tested. The analytical outputs of the study are accordingly interpretive and theoretical, taking the form of a framework, a classification of accumulation channels, and a set of propositions rather than empirical findings. Contemporary market and policy developments referred to in the Introduction serve as illustrative context that motivates the inquiry; they are not treated as evidence, and no analytical conclusion rests on them.

3.2 Source Orientation and Retrieval Strategy

Literature was retrieved through structured searches of a large-scale academic search index covering peer-reviewed literature across economics, finance, public finance, and regulation. The searches followed a closed-form guide-question strategy. For each of the five themes, two questions were formulated that could be answered substantially in the affirmative or negative by published evidence, such as whether rapid credit expansions predict financial crises, or whether retail derivatives traders typically incur net losses. Framing the questions in closed form served two purposes. It directed retrieval toward studies that test or evaluate a specific relationship rather than discuss it generally, and, because the questions did not presume an answer, it allowed the retrieval to surface evidence on both sides of each relationship, including disconfirming and qualifying findings. The ten guide questions were designed so that, taken together, they cover the intellectual architecture the research question requires: foundational theory of financial cycles and instability, the mechanisms of the three accumulation channels, the contextual amplifiers of external transmission, and the policy responses through which the divergence might be contained.

3.3 Source Selection and Inclusion Principles

Sources were selected for relevance to the guide questions and for their capacity to contribute to the conceptual argument, not by an exhaustive screening protocol. Four principles governed inclusion. First, peer-reviewed literature was prioritized, and where a study circulated in both working-paper and published form, the published version was identified and cited. Official regulatory publications were admitted where they report market-wide administrative data not available in the peer-reviewed literature, and they are identified as such. Second, sources were retained only when their bibliographic details could be verified; sources with incomplete authorship information or unverifiable publication records were excluded, even where their content was topically relevant. Third, weight was calibrated to methodological strength. Long-run panel studies, transaction-level market data, regulatory administrative data, and established theoretical models carry the principal weight for core claims, whereas survey-based and perception studies were used only to identify candidate behavioral mechanisms and were not used to support claims about magnitudes or systemic effects. Fourth, evidence from Asian economies was sought deliberately where available, and evidence from other regions was included where it established general mechanisms or where comparable Asian evidence was absent.

3.4 Thematic Organization and Theoretical Lenses

The literature was organized into five themes that proceed from foundational concepts to explanatory mechanisms, contextual amplifiers, and policy responses: financial cycles, credit booms, and theories of financial

instability; retail investor speculation and derivatives participation; debt-financed state-led growth and quasi-fiscal liabilities; global financial-cycle transmission and Asian spillovers; and macroprudential, investor-protection, and fiscal-transparency responses. The primary theoretical lens is financial-stability theory, particularly the financial-cycle literature and the financial instability hypothesis, which supplies the organizing premise that risk-taking can become endogenously detached from fundamentals during expansions. Three supporting lenses inform the analysis of specific channels: behavioral finance for retail speculation, the political economy of state-directed finance for quasi-fiscal debt and policy-directed allocation, and international finance for the transmission of global conditions. The supporting lenses are used to explain mechanisms within the financial-stability problem and are not treated as independent objects of inquiry.

3.5 Analytical and Synthesis Procedure

The analysis proceeded in three stages. In the first stage, within-theme synthesis, each theme was synthesized to identify recurring findings, disagreements, methodological tendencies, and the boundaries of the available evidence, with particular attention to whether findings derived from strong or weak designs and from Asian or non-Asian contexts. In the second stage, cross-theme comparison, the three accumulation channels were compared against a common set of analytical criteria: the locus at which risk accumulates, the mechanism through which the perceived price of risk is suppressed, the pathways through which channel-level risk may be transmitted to the wider financial system, and the extent to which existing surveillance frameworks can observe that risk. This comparison was intended to establish whether the channels share a common structure that justifies treating them as expressions of a single underlying divergence, or whether they are better understood as unrelated phenomena. In the third stage, framework development, the results of the comparison were integrated into a conceptual framework that specifies the divergence, its channels, its amplifiers, and the surveillance blind spot, and propositions were derived where the synthesis supported a theoretically meaningful and potentially testable relationship. Throughout, the analysis distinguishes among claims directly supported by the reviewed literature, inferences drawn from combining findings across literatures, and propositions advanced by the present study, and this distinction is maintained in the presentation of the analysis.

3.6 Limitations

Several limitations follow from the design. Retrieval relied on a single academic search index, so relevant studies indexed elsewhere, or published in languages other than English, may have been missed. The review is integrative rather than systematic; it does not claim exhaustive coverage of any of the five literatures, and its source selection is purposive rather than reproducible in the manner of a formal systematic or scoping review. The evidence base is uneven: evidence on quasi-fiscal debt is concentrated on China, evidence on the behavioral drivers of retail speculation relies partly on survey-based studies, and evidence on investor-protection measures derives predominantly from European and US settings, which constrains the generality of conclusions for Asian economies as a whole. Finally, the framework and propositions are conceptual. They are grounded in the reviewed literature but have not been empirically tested, and their value lies in organizing the problem and directing future investigation, not in establishing causal relationships or magnitudes.

4. Conceptual Analysis and Discussion

4.1 Conceptualizing the Divergence between Risk Appetite and Fundamentals

The literature reviewed in Section 2 establishes that risk appetite is procyclical and can detach from fundamentals during expansions (Jordà et al., 2019; Lopez-Salido et al., 2017). It does not, however, specify the forms that detachment takes outside the bank-credit domain. This section develops the divergence between risk appetite and fundamentals as an analytical construct with three defining features. The first is persistence against adverse signals: risk-taking continues or expands despite information that should restrain it, whether deteriorating macro-financial conditions, rising funding costs, or realized losses. The second is suppressed risk pricing: the cost of risk as perceived by the risk-taker falls below its underlying level, so that exposure is assumed on terms that do not reflect its expected consequences. This is the condition formalized in models in which risk premia fall while systemic risk rises (Coimbra & Rey, 2024). The third is migration: risk accumulates in locations where it is weakly observed, so that the divergence is not visible in the indicators on which stability monitoring relies.

Defined this way, the divergence is a structural condition rather than a market mood. Sentiment may contribute to it, but the construct does not reduce to sentiment, because it can also be produced by institutional design, through guarantees and mandates that suppress risk pricing regardless of what any participant believes. The divergence can also run in the opposite direction. In the Philippine equity market, firms with solid fundamentals have traded at deep discounts while elevated policy rates redirected liquidity toward fixed-income assets (R. G. Atento, 2025), and

valuation-related indicators, rather than profitability alone, have been the most consistent discriminators of relative price performance over short horizons (R. G. Atento & Atento, 2025). This distinction is the basis for treating the three accumulation channels as related phenomena. They differ in their actors and settings, but each produces the same structural outcome through a different suppression mechanism.

4.2 Three Accumulation Channels

In the retail-market channel, suppression is cognitive and architectural. Behavioral biases and limited literacy lead investors to underestimate leverage and loss probabilities (Mageswari & Sasirekha, 2024; Ramesh, 2025), and platform design and gamification lower the perceived cost and seriousness of speculative trading (Ashima & Nirala, 2026; Newall & Weiss-Cohen, 2022). What distinguishes this channel is that losses are realized yet fail to discipline participation. Regulatory data from India indicate that more than three-quarters of individual traders who had lost money in two consecutive years continued trading in the third, and that fewer than one in ten of those who persisted made a profit (Securities and Exchange Board of India, 2024). The same data show that losses are concentrated among lower-income and younger traders, who make up a growing share of participants (Securities and Exchange Board of India, 2024). Risk appetite in this channel persists in the face of the most direct adverse signal available, the participant's own losses.

In the quasi-fiscal channel, suppression is guarantee-based. Implicit local-government backing makes the credit risk of financing vehicles appear sovereign while it remains formally corporate (Guo et al., 2025; Zhang & Tsai, 2024). Unlike the retail channel, losses here are deferred rather than realized: the guarantee permits rollover and continued lending while the underlying asset base, particularly land revenue, remains exposed to the property cycle (M. Hu et al., 2021; Pan et al., 2017).

In the policy-directed channel, suppression is mandate-based. Lending decisions respond to policy objectives and to perceived state backing rather than to expected returns, and soft budget constraints allow inefficient investment to continue (Liu et al., 2017; Ye et al., 2021). Losses again take a deferred form, accumulating as impaired assets and productivity drag rather than as immediate defaults (Bach, 2019; Yuan & Zhou, 2022). Table 1 compares the three channels across the criteria set out in Section 3.5.

Table 1 *Comparative Structure of the Three Accumulation Channels*

Dimension	Retail-market channel	Quasi-fiscal channel	Policy-directed channel
Locus of risk accumulation	Household balance sheets; derivatives market positions	Sub-sovereign vehicles; bank and shadow-lender balance sheets	Bank loan portfolios; state-linked enterprise balance sheets
Suppression mechanism	Cognitive and architectural (bias, literacy gaps, platform design)	Guarantee-based (implicit sub-sovereign backing)	Mandate-based (policy objectives, soft budget constraints)
Temporal form of losses	Realized but non-disciplining	Deferred and accumulating	Deferred and accumulating
Principal transmission pathways	Household income and savings erosion; market-quality degradation; potential correlated liquidation	Crystallization of contingent liabilities onto sovereign and bank balance sheets; property-cycle linkage	Impaired bank assets; productivity drag; eventual fiscal support
Observability to bank-centric surveillance	Low: risk sits outside bank credit	Low to moderate: exposures recorded as corporate rather than fiscal	Moderate: loans appear performing while backing holds

Note. Compiled by the author from the literature reviewed in Section 2.

The comparison yields an analytical distinction not drawn in the reviewed literature: the divergence has two temporal forms. In the retail channel it is realized but undisciplined. Losses occur continuously and are borne immediately by households, but they do not curtail participation. In the quasi-fiscal and policy-directed channels it is deferred and accumulating. Losses are postponed by guarantees and mandates and build within balance sheets until

the backing is withdrawn or impaired. This distinction matters for surveillance. Realized-but-undisciplined risk is visible in trading data but rarely connected to household financial resilience, whereas deferred risk may be largely invisible until it crystallizes.

4.3 Amplifiers: Why Risk-Taking Can Expand under Restrictive Conditions

The transmission literature implies that tight US monetary conditions and adverse energy shocks should restrain risk-taking in Asian economies (Hu & Yuan, 2025; Miranda-Agrippino & Rey, 2020). The configuration that motivates this paper, expanding speculation under restrictive conditions, therefore requires explanation. Three conceptual arguments, each inferred from combining the reviewed literatures, can account for it.

The first concerns the weak traction of monetary policy on these channels. Monetary policy acts on risk-taking largely through the cost of borrowing (Bauer et al., 2023), but the suppression mechanisms identified above are only weakly sensitive to that cost. Purchased options embed leverage within the instrument itself, without explicit borrowing at market rates; guarantee-backed credit is priced on perceived state backing rather than on the policy rate; and mandate-driven lending responds to policy objectives. Monetary tightening may therefore have weaker traction on these channels than on conventional bank credit. This is an inference from the reviewed evidence, not an established finding. Related evidence from the Philippine equity market shows that weekly return volatility clustering persisted across sub-periods that include the 2022–2023 monetary tightening cycle (R. G. Atento, Atento, Espelita, Del Mundo, et al., 2026).

The second concerns narrative-driven risk appetite. Evidence of a common global risk-premium factor that exceeds what fundamentals explain (Jordà et al., 2019) suggests that risk appetite can be organized around shared narratives that operate partly independently of monetary conditions. Optimism concerning a transformative technology is such a narrative, and when it is transmitted through globally synchronized equity markets, it can sustain local risk-taking even as local fundamentals deteriorate. Historical evidence that credit-market overheating has a substantial global component, and that measures of global overheating materially improve the prediction of national crises (Greenwood et al., 2022), reinforces the view that domestic risk-taking is shaped in part by conditions set outside the domestic economy.

The third concerns energy shocks. Precautionary and supply-driven oil shocks raise financial stress in Asian economies (Dagher & Hasanov, 2023; Koh, 2017), and oil-importing economies function as net receivers of energy-market volatility (Ashfaq et al., 2019). Such shocks may do less to restrain the accumulation of exposure than to raise the severity of any eventual reversal; their effect is to deepen vulnerability rather than to prevent it.

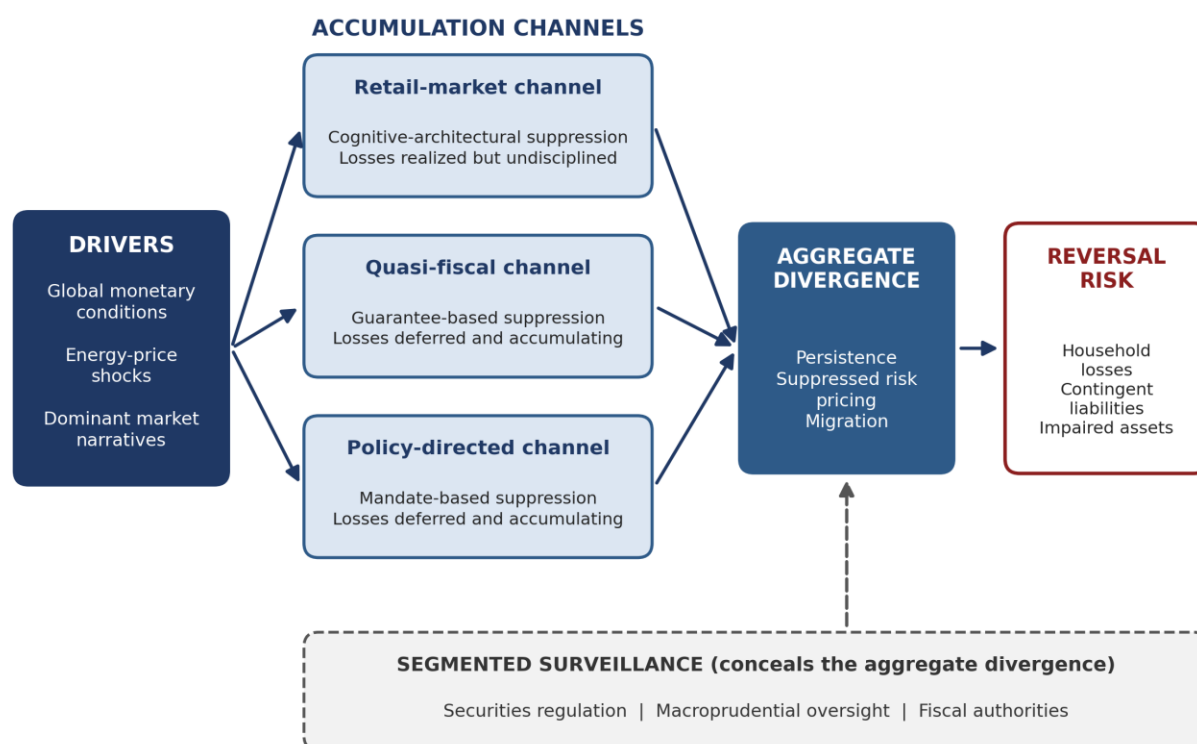
4.4 The Surveillance Blind Spot

The policy literature indicates that macroprudential frameworks remain largely entity-based and bank-oriented, that systemic risk migrates toward non-bank and market-based activity (Jbir et al., 2023; Pessoa & Rochman, 2026), and that tighter bank regulation can itself displace intermediation beyond the regulatory perimeter (Martínez-Miera & Repullo, 2019). Applied to the three channels, this finding suggests that the blind spot is not incidental. It arises because each channel falls between the mandates of different authorities. Retail derivatives risk falls between securities regulation, which observes trading conduct, and macroprudential oversight, which observes institutional solvency; neither is designed to observe household-level exposure as a source of systemic concern. Quasi-fiscal risk falls between fiscal authorities and financial supervisors, because liabilities that are fiscal in substance are recorded as corporate in form. Policy-directed risk presents a distinct problem, because the state that directs the lending is also responsible for supervising its consequences, which creates an incentive for forbearance.

Because each authority observes a partial segment of the landscape, aggregate vulnerability can exceed what any single authority's indicators reveal. The channels also share balance sheets: banks hold both quasi-fiscal and policy-directed exposures, and households absorb both market losses and, ultimately, fiscal consequences. Correlations among the channels may therefore be missed precisely where they are greatest.

4.5 Integrative Framework and Propositions

The preceding analysis can be integrated into a conceptual framework, presented in Figure 1, with three components. The drivers are external conditions and dominant narratives. The channels are the three accumulation channels, distinguished by suppression mechanism and by the temporal form of their losses. The concealing condition is surveillance segmentation, which prevents the aggregate divergence from being observed until reversal.

Figure 1 Conceptual Framework of the Divergence between Risk Appetite and Fundamentals

Note. Solid arrows indicate the accumulation pathway from drivers through the three channels to aggregate divergence and reversal risk. The dashed element indicates that segmented surveillance conceals the aggregate divergence rather than causing it. Developed by the author.

The following propositions are derived from the framework. They are theoretically grounded but untested.

Proposition 1. *Risk-taking in channels governed by cognitive-architectural, guarantee-based, or mandate-based suppression is less responsive to monetary tightening than risk-taking intermediated through conventional bank credit.*

Proposition 2. *In the retail-market channel, participation persists despite realized losses where platform design and prevailing market narratives sustain perceived opportunity. The channel's systemic relevance increases with the concentration of losses among lower-income and younger households and with the provision of leverage by intermediaries.*

Proposition 3. *Quasi-fiscal liabilities transmit to sovereign and banking stress when the assets underlying them decline in value. The speed and severity of transmission depend on the perceived credibility of the implicit guarantee.*

Proposition 4. *Restrictive global monetary conditions and precautionary energy shocks increase the severity of reversals in the accumulation channels more than they constrain the accumulation of exposure.*

Proposition 5. *Where financial-stability surveillance is segmented by institution and mandate, aggregate vulnerability is systematically underestimated relative to its level under activity-based, coordinated surveillance. The underestimation is greatest when multiple channels share the same balance sheets.*

4.6 Boundary Conditions

The framework's applicability is bounded in four respects. First, not every channel operates everywhere. The quasi-fiscal channel is grounded predominantly in Chinese evidence, and its relevance elsewhere depends on whether comparable off-balance-sheet sub-sovereign borrowing exists. Policy-directed misallocation is documented in China and Vietnam (Bach, 2019; P. Le, 2022) but should not be presumed elsewhere, and the retail-market channel applies most directly to markets where retail derivatives participation is extensive. Second, exposure to the amplifiers varies with economic structure. Capital flows into some Southeast Asian economies appear more anchored to domestic output than to external shocks (Aliman et al., 2023), and foreign-currency leverage and energy-import dependence shape the strength of transmission (Ashfaq et al., 2019; Hu & Yuan, 2025). Market conditions also differ: by early

2026 the Philippine equity market was characterized by compressed valuation multiples following a sustained index decline rather than by residual valuation excess (Reyes et al., 2026), so the divergence should not be presumed uniform across Asian markets. Third, the divergence is a matter of degree. Credit and market participation can support growth, and the hazard lies in over-extension rather than in their existence (Van Der Hoog, 2017); the framework identifies conditions under which vulnerability accumulates and does not imply that crisis is inevitable. Fourth, claims about interaction among channels are the most inferential, because they rest on combining separate literatures, and they should be read as propositions for empirical examination rather than as established relationships.

5. Discussion and Implications

5.1 Theoretical Implications

The analysis suggests that financial-instability theory can be extended beyond the bank-credit domain in which it has mainly been applied. The core mechanism of the financial instability hypothesis is that expansions endogenously generate fragility (Phan et al., 2024; Toporowski, 2020). The present framework argues that this mechanism does not require bank-intermediated leverage; it requires only that the perceived price of risk be suppressed below its underlying level. Behavioral and platform-design factors can produce that suppression, and so can implicit guarantees and policy mandates. By distinguishing these mechanisms, the framework treats them as variants of one condition rather than as unrelated anomalies.

The distinction between realized-but-undisciplined and deferred-and-accumulating losses also qualifies standard accounts of market discipline. Conventional reasoning assumes that losses restrain subsequent risk-taking. The retail evidence suggests that losses can be realized continuously without that effect (Securities and Exchange Board of India, 2024), and the quasi-fiscal and policy-directed evidence suggests that losses can be postponed indefinitely while guarantees remain credible (Guo et al., 2025; Ye et al., 2021). In both cases the disciplining signal is present but ineffective, which is a different problem from an absent signal.

The framework also has implications for the risk-taking channel of monetary policy. Evidence that monetary conditions shape risk appetite (Bauer et al., 2023) has generally been interpreted as working through funding costs and valuations. If, as Proposition 1 holds, the suppression mechanisms identified here are insensitive to funding costs, then the risk-taking channel may be asymmetric: easing could stimulate risk-taking broadly, while tightening restrains only the portion that is intermediated through priced credit. This asymmetry is a theoretical possibility derived from the framework, not an established finding.

5.2 Implications for Macroprudential and Monetary Authorities

Evidence that crises are substantially predictable from joint credit and asset-price booms supports leaning against the wind (Greenwood et al., 2022). However, the indicators on which that evidence rests are measures of credit to households and non-financial firms paired with equity and property prices. The analysis here implies that such indicators may understate vulnerability when risk accumulates through retail derivatives positions, off-balance-sheet sub-sovereign liabilities, or policy-directed lending that appears to perform. For macroprudential authorities, three implications follow. Surveillance indicators should be broadened to include measures of household exposure to leveraged market instruments and estimates of contingent public liabilities, alongside conventional credit aggregates. Activity-based oversight should follow leverage and liquidity mismatch wherever they arise, rather than only within regulated institutions (Kuznetsova & Larina, 2024; Pessoa & Rochman, 2026). And because tighter bank-centric requirements can displace risk rather than reduce it (Martínez-Miera & Repullo, 2019), instruments should be assessed for their effect on the location of risk as well as its quantity.

For monetary authorities, the framework suggests caution in relying on policy-rate increases to contain speculative risk-taking. Where suppression mechanisms are insensitive to funding costs, monetary tightening may impose its costs on the broader economy while leaving the relevant channels largely untouched. Targeted instruments are therefore likely to be more effective against these channels. Public understanding of monetary policy is itself uneven; Philippine survey evidence links awareness of monetary policy to saving and investment behavior but not to spending, which suggests that clearer central bank communication may complement targeted instruments (Espelita et al., 2025).

5.3 Implications for Securities Regulation and Investor Protection

The evidence on retail derivatives losses, and on their concentration among lower-income and younger traders (Securities and Exchange Board of India, 2024), indicates that investor protection should be treated as a financial-stability matter, not only as a question of conduct and fairness. The reviewed literature offers guidance on instrument choice. Leverage limits have reduced losses among highly leveraged retail traders without impairing market liquidity

(Heimer & Simsek, 2019), and larger contract sizes have reduced volatility and spreads where they reduced retail noise trading (Lee et al., 2026). Disclosure-based measures appear weaker, being vulnerable to inconsistent implementation and to choice architecture that undermines warnings (Andrade et al., 2025), and circumvention through cross-border provision limits the reach of national measures (Jarosz & Górný, 2025). Taken together, these findings suggest that structural measures acting on product design and leverage are likely to be more effective than informational ones, and that they should be accompanied by attention to the design of trading platforms, given the evidence on gamification (Newall & Weiss-Cohen, 2022). Evidence from Asia further suggests that digital connectivity translates into active and equitable financial participation only where digital literacy, trust, and consumer protection frameworks are adequate (A. G. Atento, Atento, et al., 2026). These measures involve trade-offs. Restricting leverage may curtail legitimate hedging and impose costs on participants who value speculative trading (Heimer & Simsek, 2019), so the policy problem is one of calibration rather than prohibition.

5.4 Implications for Fiscal Authorities

The quasi-fiscal channel suggests that fiscal transparency is a financial-stability instrument as well as a governance principle. Where sub-sovereign borrowing is recorded as corporate rather than fiscal, neither fiscal nor financial authorities observe the full exposure, and implicit guarantees suppress the risk pricing that might otherwise restrain borrowing (Zhang & Tsai, 2024). Consolidated reporting of liabilities that carry implicit public backing, explicit recognition of contingent liabilities in fiscal risk assessments, and clearer delineation of which obligations the state will and will not support would each reduce the guarantee-based suppression on which the channel depends. Fiscal space is also contested by crisis-response demands: under oil-price shocks, governments must allocate limited resources between household cash transfers and concessional enterprise credit, and the effectiveness of the latter depends on viability screening and risk-sharing design (A. G. Atento, Quinto, & Atento, 2026). Because the reviewed literature does not directly evaluate fiscal-transparency measures (Section 2.7), these implications are derived from the framework rather than from evidence of policy effectiveness. Related work on ASEAN+3 economies suggests that public data openness, conditioned by institutional quality, can strengthen investor confidence, which indicates that transparency may carry economic benefits beyond its governance value (R. G. Atento, Espelita, & Atento, 2026).

5.5 Implications for Coordination across Mandates

The most consequential implication concerns institutional design. The surveillance blind spot arises because each channel falls between the mandates of different authorities, and because the channels share balance sheets that no single authority observes in full. Improving any one authority's tools would not by itself close that gap. The framework therefore points toward coordinated surveillance arrangements that bring together securities regulators, macroprudential authorities, and fiscal authorities. Such arrangements would combine shared data on household market exposure, bank holdings of quasi-fiscal and policy-directed assets, and contingent public liabilities; a common assessment of how these exposures interact; and clear assignment of responsibility for risks that cross institutional boundaries. For economies in which the state directs credit, independence of the supervisory function from the directing function would mitigate the forbearance incentive identified in Section 4.4.

5.6 Theoretical Boundaries and Limitations

These implications are subject to the boundaries set out in Section 4.6 and to several further limitations. The framework is conceptual; its propositions are grounded in the literature but untested, and the policy implications are conditional on their validity. The quasi-fiscal channel rests predominantly on Chinese evidence, and its application to other Asian economies requires establishing that comparable structures exist. The framework identifies conditions under which vulnerability accumulates; it does not predict whether or when a crisis will occur, and nothing in the analysis implies that the contemporary configuration will end in one. The contemporary developments that motivated the inquiry serve only as illustration, and their eventual resolution neither confirms nor refutes the framework. Finally, the policy implications are general, and their appropriate form will depend on each economy's institutional structure, regulatory capacity, and exposure to external conditions.

6. Conclusions and Recommendations

6.1 Conclusions

This paper asked how retail speculative risk-taking, debt-financed state-led growth, and policy-directed capital allocation interact to produce a divergence between risk appetite and fundamentals in Asian economies, and what that divergence implies for financial-stability policy under tight global monetary and energy conditions. The central conclusion is that these three phenomena are better understood as related expressions of a single structural condition

than as separate problems. In each channel, the perceived price of risk is suppressed below its underlying level, but the mechanism differs: cognitive bias, limited literacy, and platform design in retail derivatives markets; implicit guarantees in quasi-fiscal borrowing; and mandates and soft budget constraints in policy-directed lending. The common outcome is risk-taking that persists against adverse signals and accumulates where it is weakly observed.

Four further conclusions follow from the analysis. First, the divergence takes two temporal forms. In the retail channel, losses are realized continuously but fail to discipline participation; in the quasi-fiscal and policy-directed channels, losses are deferred by guarantees and mandates and build within balance sheets until the backing is withdrawn or impaired. Both forms undermine the market discipline on which conventional accounts of risk correction rely. Second, restrictive conditions may not restrain these channels. Expanding risk-taking under tight monetary and energy conditions becomes intelligible once it is recognized that the suppression mechanisms are largely insensitive to funding costs and that globally transmitted narratives can sustain risk appetite independently of local fundamentals. Restrictive conditions may therefore do less to prevent the accumulation of exposure than to raise the severity of any eventual reversal. Third, the surveillance blind spot is structural. It arises because each channel falls between the mandates of securities, macroprudential, and fiscal authorities, and because the channels share balance sheets that no single authority observes in full. Fourth, the resulting vulnerability is conditional rather than inevitable. The framework identifies the conditions under which vulnerability accumulates; it does not predict that a crisis will occur, and its propositions remain to be tested empirically.

6.2 Recommendations

The following recommendations are proportionate to a conceptual analysis and indicate directions for policy design rather than specific calibrations. Macroprudential authorities should broaden surveillance beyond conventional credit aggregates to include household exposure to leveraged market instruments and estimates of contingent public liabilities, and should evaluate instruments for their effect on where risk is located, not only on its quantity. Monetary authorities should recognize that policy-rate increases may have limited traction on speculative and guarantee-backed risk-taking, and should rely on targeted instruments, rather than general tightening, where these channels are the principal concern.

Securities regulators should treat retail derivatives participation as a potential financial-stability concern, particularly where losses are concentrated among lower-income and younger households. They should favor structural measures acting on leverage, contract design, and platform architecture over measures that rely on disclosure alone, and calibrate these measures to preserve legitimate hedging. Fiscal authorities should consolidate and disclose liabilities that carry implicit public backing and incorporate contingent liabilities into fiscal risk assessment, since clarifying the boundaries of state support would reduce the guarantee-based suppression of risk pricing. For the institutional architecture as a whole, coordinated surveillance arrangements should be established that share data, assess cross-channel exposures, and assign clear responsibility for risks that fall between mandates; where the state directs credit, the supervisory function should be separated from the directing function.

6.3 Limitations and Future Research

The study's limitations are those of its design. It is an integrative conceptual review based on single-index retrieval, not a systematic review. The evidence on quasi-fiscal debt is concentrated on China, the evidence on behavioral drivers of retail speculation relies partly on survey-based studies, and the evidence on investor protection derives largely from European and US settings. The framework and propositions have not been empirically tested, and the contemporary developments that motivated the inquiry serve only as illustration.

These limitations define a research agenda, and each proposition suggests a corresponding empirical test. Proposition 1 could be examined through cross-country panel analysis of whether retail derivatives activity and guarantee-backed borrowing respond less to monetary tightening than bank credit does. Proposition 2 calls for regulatory microdata on trader income, age, and leverage to assess when retail losses acquire systemic relevance. Proposition 3 could be tested by examining the relationship between the pricing of sub-sovereign debt, land and property revenues, and the perceived credibility of guarantees. Proposition 4 invites episode-based studies of reversals following periods of elevated speculative activity under restrictive conditions, and Proposition 5 invites comparative institutional analysis of whether coordinated surveillance arrangements are associated with earlier detection of cross-channel vulnerability. Extending the quasi-fiscal analysis to other Asian economies, and developing comparable measures of retail derivatives participation across Southeast Asian markets, would test the framework's boundary conditions and strengthen its relevance for the region as a whole. Household-level analysis would also benefit from attention to how external income flows are allocated; Philippine evidence that remittances are associated predominantly with consumption rather than investment (R. G. Atento, Feng, & Tolentino, 2026) raises the question of how resilient household buffers are against market losses.

References

- Alam, M. (2025). Awareness, perception and participation of retail investors in the futures and options market: A case study of Muzaffarpur, Bihar. *International Journal for Multidisciplinary Research*. <https://doi.org/10.36948/ijfmr.2025.v07i04.52065>
- Alessi, L., & Detken, C. (2018). Identifying excessive credit growth and leverage. *Journal of Financial Stability*, 35, 215–225. <https://doi.org/10.1016/j.jfs.2017.06.005>
- Al-Hajj, E., Al-Mulali, U., & Solarin, S. (2018). Oil price shocks and stock returns nexus for Malaysia: Fresh evidence from nonlinear ARDL test. *Energy Reports*. <https://doi.org/10.1016/j.egyr.2018.10.002>
- Aliman, M., Andriany, V., Erpita, E., Bimantara, W., & Toibun, M. (2023). Analysis of monetary policy intervention and macroeconomic variable shocks against capital inflow in 4 emerging countries ASEAN. *Proceeding of the International Seminar on Business, Economics, Social Science and Technology (ISBEST)*. <https://doi.org/10.33830/isbest.v3i1.1222>
- Andrade, M., Costa, D., Weiss-Cohen, L., Torrance, J., & Newall, P. W. S. (2025). Trading is a losing game: An audit of deceptive choice architecture in demo-mode contract for difference (CFD) trading apps. *Behavioural Public Policy*. <https://doi.org/10.1017/bpp.2024.62>
- Andreou, C., Dimic, N., Piljak, V., & Savvides, A. (2021). Unconventional monetary policy and international equity capital flows to emerging markets. *European Financial Management*. <https://doi.org/10.1111/eufm.12312>
- Ang, A., Bai, J.-N., & Zhou, H. (2023). The great wall of debt: Real estate, political risk, and Chinese local government financing cost. *The Journal of Finance and Data Science*. <https://doi.org/10.1016/j.jfds.2023.100098>
- Ashfaq, S., Tang, Y., & Maqbool, R. (2019). Volatility spillover impact of world oil prices on leading Asian energy exporting and importing economies' stock returns. *Energy*, 188, 116002. <https://doi.org/10.1016/j.energy.2019.116002>
- Ashima, A., & Nirala, C. (2026). Technology-enabled trading and behavioral biases of retail investors in futures and options markets. *Nashrilar*. <https://doi.org/10.60078/2026-vol5-iss1-pp82-87>
- Atento, A. G., Atento, R. G. O., Espelita, C. A. M. H., & Lantin-Magana, L. M. (2026). Digital connectivity and financial inclusion in Asia: A thematic review of mobile infrastructure, account ownership, and policy implications using Global Findex 2025 evidence. *Asian Financial Economics and Policy*, 1(1). <https://doi.org/10.65166/9h1wkj82>
- Atento, A. G., Quinto, L. F., & Atento, R. G. O. (2026). Relief or recovery? A comparative policy assessment of household cash transfers and MSME credit support as crisis-response instruments in the Philippines. *Asian Financial Economics and Policy*, 1(1). <https://doi.org/10.65166/p4hr6f59>
- Atento, R. G. (2025). Valuation metrics, market efficiency, and investor sentiment: A descriptive analysis of Philippine Stock Exchange-listed firms. *International Journal of Health & Business Analytics*, 1(1). <https://doi.org/10.65166/6kbeat87>
- Atento, R. G., & Atento, A. G. (2025). Which fundamentals differentiate Philippine stock winners from laggards? A rank-based multinomial analysis of 2025 price appreciation. *International Journal of Health & Business Analytics*, 1(2). <https://doi.org/10.65166/n7t3ew73>
- Atento, R. G., Atento, A. G., & Espelita, C. A. M. (2026). Below the trendline: Oil price shocks, the Strait of Hormuz crisis, and the disrupted growth trajectory of global health sector equities (2024–2026). *International Journal of Health & Business Analytics*, 2(1). <https://doi.org/10.65166/emmhmm48>
- Atento, R. G. O., Atento, A. G., Espelita, C. A. M. H., Del Mundo, F., Nonog, R. G., Mangubat, M. M., Dela Costa, V. G., Manzana, P., & Espina, A. (2026). Value and size premiums in the Philippine equity market: Evidence from an extended dataset with volatility analysis. *Asian Financial Economics and Policy*, 1(1). <https://doi.org/10.65166/nbsg0j88>
- Atento, R. G. O., Espelita, C. A. M. H., & Atento, A. G. (2026). Public data openness, institutional quality, and foreign direct investment attraction in ASEAN+3: An integrative thematic review. *Asian Financial Economics and Policy*, 1(1). <https://doi.org/10.65166/a8tr9r86>
- Atento, R. G., Feng, T., & Tolentino, G. (2026). Do remittances save or spend? Testing the consumption-investment allocation hypothesis for the Philippines using WDI time-series evidence, 2000–2023. *Journal of Enterprise Strategy and Management Innovation*, 1(2). <https://doi.org/10.65166/dewg3q39>
- Atento, R. G. O., Quinto, L. F., Espelita, C. A. M. H., Atento, A. G., Teodosio, G. M., Feng, T., Tan, Q., & Chen, S. (2026). Global shocks, local ventures: Oil prices, dollar strength, and China's economic shifts as determinants of entrepreneurial activity in the Philippines, 2006–2022. *Journal of Enterprise Strategy and Management Innovation*, 1(3). <https://doi.org/10.65166/dyv5eh53>

- Azhari, A., Yong, K.-C.-A., & Shahiri, H. (2021). Oil price shocks and energy stock returns of ASEAN-5 countries: Evidence from Ready's (2018) decomposition technique in a Markov regime switching framework. *Sains Malaysiana*, 50, 1143–1156. <https://doi.org/10.17576/jsm-2021-5004-24>
- Bach, T. (2019). State owned enterprises and capital misallocation in Vietnam. *Journal of the Asia Pacific Economy*, 24, 430–451. <https://doi.org/10.1080/13547860.2019.1616443>
- Bai, C., Hsieh, C.-T., & Zheng, S.-Y. (2017). The long shadow of China's fiscal expansion. *Brookings Papers on Economic Activity*, 2016, 129–181. <https://doi.org/10.1353/eca.2016.0027>
- Bajpai, J. (2024). Investors perception towards trading in futures & options. *International Journal of Scientific Research in Engineering and Management*. <https://doi.org/10.55041/ijsrem34327>
- Bao, H. X. H., Wang, Z., & Wu, R. (2024). Understanding local government debt financing of infrastructure projects in China: Evidence based on accounting data from local government financing vehicles. *Land Use Policy*. <https://doi.org/10.1016/j.landusepol.2023.106964>
- Bauer, M., Bernanke, B., & Milstein, E. (2023). Risk appetite and the risk-taking channel of monetary policy. *Journal of Economic Perspectives*, 37(1), 77–100. <https://doi.org/10.1257/jep.37.1.77>
- Baule, R., Frijns, B., & Schlie, S. (2024). Feedback trading: The intraday case of retail derivatives. *Journal of Futures Markets*. <https://doi.org/10.1002/fut.22536>
- Bavoso, V. (2024). The LDI (liability-driven investment) debacle, derivatives and systemic risk: There you go again! *European Business Organization Law Review*, 25, 481–507. <https://doi.org/10.1007/s40804-024-00328-3>
- Behera, C. (2023). The crude oil price–stock return connectedness and the impact of the Russian-Ukraine war on stock returns in East Asian countries. *Bulletin of Monetary Economics and Banking*. <https://doi.org/10.59091/1410-8046.2058>
- Beirne, J., Renzhi, N., & Volz, U. (2023). When the United States and the People's Republic of China sneeze: Monetary policy spillovers to Asian economies. *Open Economies Review*, 34, 519–540. <https://doi.org/10.1007/s11079-022-09695-1>
- Brunnermeier, M., Palia, D., Sastry, K. A., & Sims, C. A. (2021). Feedbacks: Financial markets and economic activity. *American Economic Review*, 111(6), 1845–1879. <https://doi.org/10.1257/aer.20180733>
- Bryzgalova, S., Pavlova, A., & Sikorskaya, T. (2023). Retail trading in options and the rise of the big three wholesalers. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.4065019>
- Buccioli, A., & Miniaci, R. (2018). Financial risk propensity, business cycles and perceived risk exposure. *Oxford Bulletin of Economics and Statistics*, 80, 160–183. <https://doi.org/10.1111/obes.12193>
- Cashman, G. D., Harrison, D. M., Scheick, B., & Sheng, H.-N. (2025). REIT option volume, retail investors, and return predictability. *Real Estate Economics*, 53, 808–840. <https://doi.org/10.1111/1540-6229.12539>
- Chamorro-Futinic, J. C. (2025). Boom and bust: Dynamics of systemic financial instability in financialized emerging economies. *Review of Political Economy*, 37, 1757–1788. <https://doi.org/10.1080/09538259.2025.2574918>
- Chen, S., & Atento, R. G. O. (2026). Nonlinear inflation regimes and per-capita growth: Comparative evidence from China and the Philippines (1987–2024). *Asian Financial Economics and Policy*, 1(1). <https://doi.org/10.65166/t70qvn52>
- Chen, S., Atento, R. G. O., Feng, T., Tan, Q., Refozar, R. F., & Manalo, L. (2026). Capital depth and entrepreneurial vitality: Market capitalization growth and cross-border investment flows in the Philippines and ASEAN. *Journal of Enterprise Strategy and Management Innovation*, 1(3). <https://doi.org/10.65166/b4vrds73>
- Coimbra, N., & Rey, H. (2024). Financial cycles with heterogeneous intermediaries. *The Review of Economic Studies*, 91(2), 817–857.
- Croicu, A. (2026). Speculative bubble dynamics and systemic risk in shadow banking institutions: Evidence from the United States and Europe. *Financial Studies*. <https://doi.org/10.65672/fs.2026.2.7>
- Croicu, A., Iancu, L., & Rogojan, L. C. (2023). A review on the impact of shadow banking on financial markets prudential regulation. *Proceedings of the International Conference on Business Excellence*, 17, 1596–1602. <https://doi.org/10.2478/picbe-2023-0143>
- Dagher, L., & Hasanov, F. J. (2023). Oil market shocks and financial instability in Asian countries. *International Review of Economics & Finance*, 84, 182–195.
- Dai, S.-Y. (2020). Risks and countermeasures of local government debt in China. *Modern Economy*. <https://doi.org/10.4236/me.2020.1110112>
- Eaton, G. W., Green, T. C., Roseman, B. S., & Wu, Y.-B. (2026). Retail option traders and the implied volatility surface. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.4104788>

- Espelita, C. A. M., Atento, R. G., Rao, L. J., & Tian, Y. (2025). Understanding monetary policy: Student awareness, perceptions, and financial behaviors in the Philippine context. *International Journal of Health & Business Analytics*, 1(1). <https://doi.org/10.65166/f7eayj47>
- Feng, T. (2026). Launching Asian Financial Economics and Policy: Toward a research forum for finance, development, and policy in Asia. *Asian Financial Economics and Policy*, 1(1). <https://doi.org/10.65166/swew3332>
- Fu, X.-R. (2021). Firm funding and investment under bank credit control policy: Evidence from China. *Journal of Applied Finance and Banking*, 101–134. <https://doi.org/10.47260/jafb/1145>
- Geca, M., Atento, A. G., Espelita, C. A. M. H., & Atento, R. G. O. (2026). Closing the backdoor: Fintech license strategies, regulatory reclassification, and the architecture of digital bank supervision in the Philippines. *Asian Financial Economics and Policy*, 1(1). <https://doi.org/10.65166/d0m0k596>
- Gortsos, C. V. (2025). The application of suitability and appropriateness tests in relation to retail investors under EU capital markets law. *EuZ – Zeitschrift für Europarecht*. <https://doi.org/10.36862/6rvk-4c9k>
- Greenwood, R., Hanson, S. G., Shleifer, A., & Sørensen, J. A. (2022). Predictable financial crises. *The Journal of Finance*, 77(2), 863–921. <https://doi.org/10.1111/jofi.13105>
- Guo, S., Parry, R., & Vaccari, E. (2025). Cracking the code: Navigating the debt crisis of Chinese local governments and local government financing vehicles in China. *International Insolvency Review*. <https://doi.org/10.1002/iir.70008>
- Heimer, R. Z., & Simsek, A. (2019). Should retail investors' leverage be limited? *Journal of Financial Economics*. <https://doi.org/10.1016/j.jfineco.2018.10.017>
- Hu, J., Kirilova, A., Park, S., & Ryu, D. (2023). Who profits from trading options? *Management Science*, 70, 4742–4761. <https://doi.org/10.1287/mnsc.2023.4916>
- Hu, M., Liu, X.-T., Guo, R.-F., & Li, X.-T. (2021). Has land finance increased local financial risks in China? *Sustainability*, 13, 5937. <https://doi.org/10.3390/su13115937>
- Hu, M., & Yuan, X. (2025). Dollar shocks and cross-border capital flows: Evidence from 33 emerging economies. *PLOS ONE*, 20. <https://doi.org/10.1371/journal.pone.0319570>
- Ivashina, V., Kalemli-Özcan, Ş., Laeven, L. A., & Müller, K. (2024). *Corporate debt, boom-bust cycles, and financial crises* (NBER Working Paper No. 32225). National Bureau of Economic Research. <https://doi.org/10.3386/w32225>
- Jarosz, W., & Górny, M. (2025). Regulatory deficiencies in investor protection on the CFD market in Poland. *Journal of Finance and Financial Law*. <https://doi.org/10.18778/2391-6478.2.46.05>
- Jbir, H., Oros, C., & Popescu, A. (2023). Macroprudential policy and financial system stability: An aggregate study. *Empirical Economics*, 66, 1941–1973. <https://doi.org/10.1007/s00181-023-02524-5>
- Jiang, Y.-H., & Zhang, Z.-W. (2026). When green credit policies backfire: Banking competition, low-end lock-in and capital misallocation in China. *China Finance Review International*. <https://doi.org/10.1108/cfri-01-2025-0006>
- Jones, C. M., Shi, D., Zhang, X.-Y., & Zhang, X.-R. (2024). Retail trading and return predictability in China. *Journal of Financial and Quantitative Analysis*, 60, 68–104. <https://doi.org/10.1017/s0022109024000085>
- Jordà, Ò., Schularick, M., Taylor, A. M., & Ward, F. (2019). Global financial cycles and risk premiums. *IMF Economic Review*, 67(1), 109–150. <https://doi.org/10.1057/s41308-019-00077-1>
- Jović, V. (2025). Credit boom and crash viewed through the prism of the financial crisis in transition economies. *TEMEL Citizens' Association Center for Development, Organization, Research, Promotion of Values, Education and Promotion of Youth*. <https://doi.org/10.52576/temel2591027j>
- Khurana, S., Verma, R., Sahoo, A., Gorowara, N., & Kaur, M. (2024). Behavior in derivative trading and global perspectives on retail investor sentiment. In *2024 11th International Conference on Reliability, Infocom Technologies and Optimization (Trends and Future Directions) (ICRITO)* (pp. 1–5). <https://doi.org/10.1109/icrito61523.2024.10522343>
- Koh, W. C. (2017). How do oil supply and demand shocks affect Asian stock markets? *Macroeconomics and Finance in Emerging Market Economies*, 10, 1–18. <https://doi.org/10.1080/17520843.2015.1135819>
- Kohler, K. (2019). Exchange rate dynamics, balance sheet effects, and capital flows: A Minskyan model of emerging market boom-bust cycles. *Structural Change and Economic Dynamics*. <https://doi.org/10.1016/j.strueco.2019.09.006>
- Kuznetsova, V., & Larina, O. (2024). Impact of non-bank financial intermediation on banking crises. *Finance: Theory and Practice*. <https://doi.org/10.26794/2587-5671-2024-28-4-144-156>
- Lantin-Magana, L. M., & Atento, R. G. O. (2026). Digital reach, consumption, and equity market deepening: Evidence from ASEAN-5. *Asian Financial Economics and Policy*, 1(1). <https://doi.org/10.65166/nxnfqv94>

- Lantin-Magana, L. M., Espelita, C. A. M. H., Habana, C. A., Atento, R. G. O., & Atento, A. G. (2026). Predictors of investment decision among selected individuals in key cities of Laguna: An extended theory of planned behavior approach. *Journal of Enterprise Strategy and Management Innovation*, 1(1). <https://doi.org/10.65166/a60b0c75>
- Le, C., Nguyen, H., & Vo, D. (2024). Global liquidity spillovers in the Asia-Pacific region: Policy-driven versus market-driven effects. *Empirical Economics*, 67, 1091–1113. <https://doi.org/10.1007/s00181-024-02573-4>
- Le, P. (2022). Capital misallocation and state ownership policy in Vietnam. *Economic Record*. <https://doi.org/10.1111/1475-4932.12666>
- Lee, J., Ryu, D., & Webb, R. I. (2026). How do option contract sizes affect investor composition and market quality? *Review of Derivatives Research*, 29. <https://doi.org/10.1007/s11147-026-09231-0>
- Li, K.-J., & Chen, Z.-S. (2025). Leveraging multi-source data for local government financing vehicles debt risk assessment via random forests. *International Journal of Computational Intelligence Systems*, 18. <https://doi.org/10.1007/s44196-025-00778-8>
- Li, Y., Zhao, C., & Zhong, Z.-D. (2021). Trading behavior of retail investors in derivatives markets: Evidence from mini options. *Journal of Banking and Finance*, 133, 106250. <https://doi.org/10.1016/j.jbankfin.2021.106250>
- Li, Z. (2021). The influence of economic institution on finance sector credit allocation in China. *Economic Research-Ekonomska Istraživanja*, 35, 728–745. <https://doi.org/10.1080/1331677x.2021.1931915>
- Lippi, A., & Rossi, S. (2020). Run for the hills: Italian investors' risk appetite before and during the financial crisis. *International Journal of Bank Marketing*. <https://doi.org/10.1108/ijbm-02-2020-0058>
- Liu, Z., Wang, P.-F., & Xu, Z.-W. (2017). Interest rate liberalization and capital misallocations. *American Economic Journal: Macroeconomics*. <https://doi.org/10.24148/wp2017-15>
- Lopez-Salido, D., Stein, J. C., & Zakrajšek, E. (2017). Credit-market sentiment and the business cycle. *Quarterly Journal of Economics*, 132, 1373–1426. <https://doi.org/10.2139/ssrn.2604149>
- Lubello, F., & Rouabah, A. (2023). Securitization, shadow banking system and macroprudential regulation: A DSGE approach. *Economic Modelling*. <https://doi.org/10.1016/j.econmod.2023.106603>
- Lv, C. (2018). Credit distortion, firm nature and investment efficiency. *American Journal of Industrial and Business Management*, 8, 867–880. <https://doi.org/10.4236/ajibm.2018.84060>
- Mageswari, S. S., & Sasirekha, P. (2024). Unveiling the behavioural biases of retail investors in derivative market. *The Review of Finance and Banking*. <https://doi.org/10.24818/rfb.23.16.01.07>
- Martínez-Miera, D., & Repullo, R. (2019). Monetary policy, macroprudential policy, and financial stability. *Annual Review of Economics*. <https://doi.org/10.1146/annurev-economics-080218-025625>
- Miranda-Agrippino, S., & Rey, H. M. (2020). U.S. monetary policy and the global financial cycle. *The Review of Economic Studies*. <https://doi.org/10.1093/restud/rdaa019>
- Newall, P., & Weiss-Cohen, L. (2022). The gambification of investing: How a new generation of investors is being born to lose. *International Journal of Environmental Research and Public Health*, 19. <https://doi.org/10.3390/ijerph19095391>
- Ninomiya, K. (2021). Financial structure, cycle, and instability. *Journal of Economic Structures*, 11, 1–23. <https://doi.org/10.1186/s40008-022-00275-7>
- Ogawa, E., & Wang, Z.-Q. (2016). Effects of quantitative easing monetary policy exit strategy on East Asian currencies. *Developing Economies*, 54, 103–129. <https://doi.org/10.1111/deve.12099>
- Pan, F., Zhang, F.-M., Zhu, S.-J., & Wójcik, D. (2017). Developing by borrowing? Inter-jurisdictional competition, land finance and local debt accumulation in China. *Urban Studies*, 54, 897–916. <https://doi.org/10.1177/0042098015624838>
- Pessoa, G., & Rochman, R. (2026). Macro-financial blind spots in emerging markets: Non-bank intermediation, funding liquidity, and the persistence of global shock transmission. *International Journal of Financial Studies*. <https://doi.org/10.3390/ijfs14020040>
- Pham, T., & Nguyen, P. (2019). Monetary policy responses of Asian countries to spillovers from US monetary policy. *Asian-Pacific Economic Literature*. <https://doi.org/10.1111/apel.12254>
- Phan, L. N., Beruvides, M., & Tercero-Gómez, V. (2024). Statistical analysis of Minsky's financial instability hypothesis for the 1945–2023 era. *Journal of Risk and Financial Management*. <https://doi.org/10.3390/jrfm17010032>
- Porada-Rochoń, M., & Škare, M. (2020). Generalized financial cycle theory from the Minsky's perspective: UK 1270–2016. *Journal of Business Economics and Management*, 21, 1375–1389. <https://doi.org/10.3846/jbem.2020.12878>

- Ramesh, G. (2025). Investment perception on the derivative market. *EPRA International Journal of Environmental Economics, Commerce and Educational Management*. <https://doi.org/10.36713/epra25474>
- Reyes, K. B., Lantin-Magana, L. M., Atento, A. G., Espelita, C. A. M. H., & Atento, R. G. O. (2026). Sectoral valuation profiles and earnings quality in the Philippine equity market: A descriptive cross-sectional study of PSE-listed firms as of end-Q1 2026. *Asian Financial Economics and Policy*, 1(1). <https://doi.org/10.65166/sm24ag86>
- Ryoo, S. (2016). Household debt and housing bubbles: A Minskian approach to boom-bust cycles. *Journal of Evolutionary Economics*, 26, 971–1006. <https://doi.org/10.1007/s00191-016-0473-5>
- Schularick, M., & Taylor, A. M. (2012). Credit booms gone bust: Monetary policy, leverage cycles, and financial crises, 1870–2008. *American Economic Review*, 102(2), 1029–1061.
- Securities and Exchange Board of India. (2024). *Analysis of profits & losses in the equity derivatives segment (FY22–FY24)*. Department of Economic and Policy Analysis. https://www.sebi.gov.in/sebi_data/attachdocs/sep-2024/1727085659479.pdf
- Shen, R.-X. (2025). Spillover effects of federal funds rate shocks on East Asian financial stability. *Advances in Economics, Management and Political Sciences*. <https://doi.org/10.54254/2754-1169/2025.bj29374>
- Singh, S. (2026). Algorithmic trading and market fairness: Assessing whether Indian securities regulation can protect retail investors in machine-speed markets. *International Journal for Multidisciplinary Research*. <https://doi.org/10.36948/ijfmr.2026.v08i04.83407>
- Sinlapates, P., & Chancharat, S. (2024). Impact of oil and gold prices on Southeast Asian stock markets: Empirical evidence from quantile regression analysis. *ABAC Journal*. <https://doi.org/10.59865/abacj.2024.17>
- Sontakke, A., & Gongale, R. G. (2026). Derivatives as a hedging device for retail investors: The emerging role of artificial intelligence in enhancing risk management. *Research Hub*. <https://doi.org/10.63665/rh.v7i2.92>
- Tiwari, A., Dam, M. M., Altıntaş, H., & Bekun, F. (2025). The dynamic connectedness between oil price shocks and emerging market economies stock markets: Evidence from new approaches. *Energy Economics*. <https://doi.org/10.1016/j.eneco.2024.108101>
- Toporowski, J. (2020). The financial instability hypothesis. In *Credit and crisis from Marx to Minsky*. Edward Elgar. <https://doi.org/10.4337/9781788972154.00022>
- Tran, T. B. H., & Pham, H. (2020). The spillover effects of the US unconventional monetary policy: New evidence from Asian developing countries. *Journal of Risk and Financial Management*, 13(8), 165. <https://doi.org/10.3390/jrfm13080165>
- Van Der Hoog, S. (2017). The limits to credit growth: Mitigation policies and macroprudential regulations to foster macrofinancial stability and sustainable debt. *Computational Economics*, 52, 873–920. <https://doi.org/10.1007/s10614-017-9714-4>
- Wallinga, M. (2019). Why MiFID & MiFID II do (not) matter to private law: Liability to compensate for investment losses for breach of conduct of business rules. *European Review of Private Law*. <https://doi.org/10.54648/erpl2019027>
- Wang, H.-X., & Shao, R. (2024). Does the green finance policy affect the efficiency of corporate investment? Evidence from China's green finance reform and innovation pilot zones. *PLOS ONE*, 19. <https://doi.org/10.1371/journal.pone.0313861>
- Wu, G. (2017). Capital misallocation in China: Financial frictions or policy distortions? *Journal of Development Economics*, 130, 203–223. <https://doi.org/10.1016/j.jdevco.2017.10.014>
- Yan, Z.-Y. (2025). From meltdown to reform: The Yuan You Bao crisis. *Advances in Economics, Management and Political Sciences*. <https://doi.org/10.54254/2754-1169/2025.bj29259>
- Ye, S.-Q., Zeng, J., Liao, F.-M., & Huang, J. (2021). Policy burden of state-owned enterprises and efficiency of credit resource allocation: Evidence from China. *SAGE Open*, 11. <https://doi.org/10.1177/21582440211005467>
- Yuan, Q.-L., & Zhou, H. (2022). The spatial economic effect of industrial credit misallocation in China. *Mathematical Problems in Engineering*. <https://doi.org/10.1155/2022/8982639>
- Zhang, S., & Tsai, K. S. (2024). 'One system, two shadows': A local public finance perspective on China's shadow banking system. *China Economic Review*. <https://doi.org/10.1016/j.chieco.2024.102209>