

/******Definitions*****

avgfros	FROS
avgros	ROS
avgftr	FTR
l4rd_at	R&D
l4ads_at	Ads
l4intan_at	Intan
l4cash_at	Cash
l4debt_at	Debt
l4at	Assets (in millions)
l4size	Size
l4score	FXRisk
ftr_score	FTR*FXrisk
l4psindex	PS
l4cc	CC
l4hedge	FCD
l4fcd_at	FCD_at
l4depth	Depth
l4ln_breadth	ln_Breadth
l4foreign_funcur	FCurrency
abs_est_narrow	Alpha_FXI (narrow)
abs_est_broad	Alpha_FXI (broad)
b_ftr	Beta_FTR
fsale_sale	Fsales%
hedge	FCD
sic2	Industry
fyear	Fiscal year

*****/

*****H1

*Import Table 3 data

*Demean interactions

summarize avgftr l4score

gen ftr_dm=avgftr+.13478

gen l4score_dm=l4score+9.378289

gen ftr_score_dm= ftr_dm*l4score_dm

*Regression

reg avgfros avgftr l4score ftr_score_dm avgros l4rd_at l4ads_at l4intan_at l4cash_at l4debt_at
l4size i.sic2 i.fyear, vce(cluster gvkey)

*descriptives

```
tabstat avgfros avgftr l4score avgros l4rd_at l4ads_at l4intan_at l4cash_at l4debt_at l4at, stat(n mean p25 median p75 sd) col(stat)
```

```
*****Functional Currency Test
```

```
*Import Table 4 data
```

```
*Demean interactions
```

```
summarize avgftr l4score
```

```
gen ftr_dm=avgftr+.13478
```

```
gen l4score_dm=l4score+9.378289
```

```
gen ftr_score_dm= ftr_dm*l4score_dm
```

```
gen ftr_funcur_dm= ftr_dm* l4foreign_funcur
```

```
gen score_funcur_dm= l4score_dm* l4foreign_funcur
```

```
gen ftr_score_funcur_dm= ftr_dm* l4score_dm* l4foreign_funcur
```

```
*Regression
```

```
reg avgfros avgftr l4score l4foreign_funcur ftr_score_dm ftr_funcur_dm score_funcur_dm  
ftr_score_funcur_dm avgros l4rd_at l4ads_at l4intan_at l4cash_at l4debt_at l4size i.sic2 i.fyear,  
vce(cluster gvkey)
```

```
*descriptives
```

```
tabstat l4foreign_funcur, stat(n mean p25 median p75 sd) col(stat)
```

```
*****H2: Financial Hedge
```

```
*Import Table 5A data
```

```
*Demean interactions (FCD)
```

```
summarize avgftr
```

```
gen ftr_dm=avgftr+.1368157
```

```
gen ftr_hedge_dm=ftr_dm*l4hedge
```

```
*Regression
```

```
reg avgfros avgftr l4hedge ftr_hedge_dm avgros l4rd_at l4ads_at l4intan_at l4cash_at l4debt_at  
l4size i.sic2 i.fyear, vce(cluster gvkey)
```

```
clear
```

```
*Import Table 5A data again
```

```
*Demean interactions (FCD_at)
```

```
summarize avgftr l4fcd_at
```

```
gen ftr_dm=avgftr+.1368157
```

```
gen l4fcd_at_dm=l4fcd_at-.0439293
```

```
gen ftr_l4fcd_at_dm=ftr_dm*l4fcd_at_dm
```

*Regression

```
reg avgfros avgftr l4fcd_at ftr_l4fcd_at_dm avgros l4rd_at l4ads_at l4intan_at l4cash_at  
l4debt_at l4size i.sic2 i.fyear, vce(cluster gvkey)
```

*descriptives

```
tabstat l4hedge l4fcd_at, stat(n mean p25 median p75 sd) col(stat)
```

*****H2: Operational Hedge

*Import Table 5B data

*Reverse the sign for depth

```
replace l4depth=l4depth*-1
```

*Demean interactions (FCD)

```
summarize avgftr l4ln_breadth l4depth  
gen ftr_dm=avgftr+.13478  
gen l4ln_breadth_dm=l4ln_breadth-2.475034  
gen ftr_breadth_dm=ftr_dm*l4ln_breadth_dm  
gen l4depth_dm=l4depth+.4328131  
gen ftr_depth_dm=ftr_dm*l4depth_dm
```

*Regressions

```
reg avgfros avgftr l4ln_breadth ftr_breadth_dm avgros l4rd_at l4ads_at l4intan_at l4cash_at  
l4debt_at l4size i.sic2 i.fyear, vce(cluster gvkey)  
reg avgfros avgftr l4depth ftr_depth_dm avgros l4rd_at l4ads_at l4intan_at l4cash_at l4debt_at  
l4size i.sic2 i.fyear, vce(cluster gvkey)
```

*Summary Statistics

```
tabstat l4ln_breadth l4depth, stat(n mean p25 median p75 sd) col(stat)
```

*****Alternative Income Shifting Measure Test

*Import Table 6 data

*Demean variables

```
summarize avgftr score  
gen avgftr_dm=avgftr+.050921  
gen score_dm=score+9.42184
```

*Baseline

```
vce2way nlsur (dpifo={a0}+(1-  
( {gamma0}+{gamma2}*avgftr+{gamma4}*ros+{gamma5}*rd_at+{gamma6}*ads_at+{gamma  
7}*intan_at+{gamma8}*cash_at+{gamma9}*debt_at+{gamma10}*size))*({pi_f0}+{pi_f2}*av
```

```

gfr+{pi_f3}*ros+{pi_f4}*rd_at+{pi_f5}*ads_at+{pi_f6}*intan_at+{pi_f7}*cash_at+{pi_f8}*
debt_at+{pi_f9}*size)*dsalefo +({theta0}+{theta2}*avgfr+{theta4}*ros +{theta5}* rd_at
+{ theta6}* ads_at +{ theta7}* intan_at +{ theta8}* cash_at +{ theta9}* debt_at +{ theta10}*
size)*({pi_d0}+{pi_d2}*avgfr+{pi_d3}*ros+{ pi_d4}* rd_at +{ pi_d5}* ads_at +{ pi_d6}*
intan_at +{ pi_d7}* cash_at +{ pi_d8}* debt_at +{ pi_d9}*size)*dsaledom)
(dpidom={b0}+({gamma0}+{gamma2}*avgfr+{gamma4}*ros +{gamma5}* rd_at
+{gamma6}* ads_at +{gamma7}* intan_at +{gamma8}* cash_at +{gamma9}* debt_at
+{gamma10}* size)*({pi_f0}+{pi_f2}*avgfr+{pi_f3}*ros+{ pi_f4}* rd_at +{ pi_f5}* ads_at
+{ pi_f6}* intan_at +{ pi_f7}* cash_at +{ pi_f8}* debt_at +{ pi_f9}* size)*dsalefo +(1-
({theta0}+{theta2}*avgfr+{ theta4}*ros+{ theta5}* rd_at +{ theta6}* ads_at +{ theta7}*
intan_at +{ theta8}* cash_at +{ theta9}* debt_at +{ theta10}*
size))*({pi_d0}+{pi_d2}*avgfr+{pi_d3}*ros+{ pi_d4}* rd_at +{ pi_d5}* ads_at +{ pi_d6}*
intan_at +{ pi_d7}* cash_at +{ pi_d8}* debt_at +{ pi_d9}*size)) , cluster (gvkey fyear)
*Full model
vce2way nlsur (dpifo={a0}+(1-
({gamma0}+{gamma1}*score+{gamma2}*avgfr+{gamma3}*score_dm*avgfr_dm+{gamma4}
}*ros+{gamma5}*rd_at+{gamma6}*ads_at+{gamma7}*intan_at+{gamma8}*cash_at+{gamma
9}*debt_at+{gamma10}*size))*({pi_f0}+{pi_f1}*score+{pi_f2}*avgfr+{pi_f3}*ros+{pi_f4}*
rd_at+{pi_f5}*ads_at+{pi_f6}*intan_at+{pi_f7}*cash_at+{pi_f8}* debt_at +{pi_f9}*
size+{pi_f10}*score_dm*avgfr_dm)*dsalefo +({theta0}+{theta1}* score
+{theta2}*avgfr+{theta3}* score_dm *avgfr_dm+{theta4}*ros +{theta5}* rd_at +{ theta6}*
ads_at +{ theta7}* intan_at +{ theta8}* cash_at +{ theta9}* debt_at +{ theta10}*
size))*({pi_d0}+{pi_d1}* score +{pi_d2}*avgfr+{pi_d3}*ros+{ pi_d4}* rd_at +{ pi_d5}*
ads_at +{ pi_d6}* intan_at +{ pi_d7}* cash_at +{ pi_d8}* debt_at
+{ pi_d9}*size+{pi_d10}*score_dm*avgfr_dm)*dsaledom)
(dpidom={b0}+({gamma0}+{gamma1}*score+{gamma2}*avgfr+{gamma3}*score_dm*avgfr
_dm+{gamma4}*ros +{gamma5}* rd_at +{gamma6}* ads_at +{gamma7}* intan_at
+{gamma8}* cash_at +{gamma9}* debt_at +{gamma10}*
size)*({pi_f0}+{pi_f1}*score+{pi_f2}*avgfr+{pi_f3}*ros+{ pi_f4}* rd_at +{ pi_f5}* ads_at
+{ pi_f6}* intan_at +{ pi_f7}* cash_at +{ pi_f8}* debt_at +{ pi_f9}*
size+{pi_f10}*score_dm*avgfr_dm)*dsalefo +(1-({theta0}+{theta1}*score
+{theta2}*avgfr+{theta3}* score_dm *avgfr_dm+{ theta4}*ros+{ theta5}* rd_at +{ theta6}*
ads_at +{ theta7}* intan_at +{ theta8}* cash_at +{ theta9}* debt_at +{ theta10}*
size))*({pi_d0}+{pi_d1}* score +{pi_d2}*avgfr+{pi_d3}*ros+{ pi_d4}* rd_at +{ pi_d5}*
ads_at +{ pi_d6}* intan_at +{ pi_d7}* cash_at +{ pi_d8}* debt_at
+{ pi_d9}*size+{pi_d10}*score_dm*avgfr_dm)*dsaledom) , cluster (gvkey fyear)

```

/*Note: The parameter names above must be manually adjusted for presentation purposes (Table 6).*/

*****Stock Return Test

*Import Table 7 data

***Regressions**

```
bootstrap, reps(1000) seed(1) cluster(gvkey) :reghdfe abs_est_narrow b_ftr fsale_sale hedge size,  
absorb(sic2 fyear)
```

```
bootstrap, reps(1000) seed(1) cluster(gvkey) :reghdfe abs_est_broad b_ftr fsale_sale hedge size,  
absorb(sic2 fyear)
```

***Summary Statistics**

```
tabstat abs_est_narrow abs_est_broad b_ftr, stat(n mean p25 median p75 sd) col(stat)
```