

Empirical Studies on Asset Pricing and Banking in the Euro Area

Empirische studies naar het prijzen van aandelen en de bankensector in het eurogebied

PROEFSCHRIFT

ter verkrijging van de graad van doctor aan de
Erasmus Universiteit Rotterdam
op gezag van de rector magnificus

Prof.dr. S.W.J. Lamberts

en volgens besluit van het College voor Promoties.

De openbare verdediging zal plaatsvinden op
donderdag 16 juni 2005 om 13.30 uur

door

GERARDUS ANTONIUS MOERMAN
geboren te Delft

Contents

ACKNOWLEDGEMENTS	I
VOORWOORD	III
CONTENTS	V
CHAPTER 1 INTRODUCTION	1
1.1 Motivation	1
1.2 Introduction to the integration process in the euro area	2
1.3 Asset pricing consequences	5
1.4 Outline	6
CHAPTER 2 DIVERSIFICATION IN EURO AREA STOCK MARKETS: COUNTRY VS. INDUSTRY	13
2.1 Introduction	13
2.2 Methodology and model specification	15
2.3 Data	22
2.4 Results	22
2.5 Conclusions	39
CHAPTER 3 How DOMESTIC IS THE FAMA AND FRENCH THREE-FACTOR MODEL? AN APPLICATION TO THE EURO AREA	41
3.1 Introduction	41
3.2 Methodology	44
3.3 Data	47
3.4 Results	52
3.5 Conclusions	65
3.A Appendix	67
CHAPTER 4 THE WORLD PRICE OF INFLATION RISK	69
4.1 Introduction	69
4.2 The model	72
4.3 Empirical methodology	74
4.4 Data	76

4.5	Empirical results	81
4.6	The termination of nominal exchange risk in the euro area	96
4.7	Conclusions	99
4.A.	Empirical methodology for section 4.6	
	The termination of nominal exchange rate risk in the euro area	101
CHAPTER 5 FINANCIAL INTEGRATION THROUGH BENCHMARKS: THE CASE OF THE BANKING SECTOR		107
5.1	Introduction	107
5.2	Methodology	110
5.3	Data	113
5.4	Results	115
5.5	Conclusions	126
CHAPTER 6 MEASUREMENT OF CONTAGION IN EUROPEAN BANKS' EQUITY PRICES		129
6.1	Introduction	129
6.2	Calculation of ln(Add)	132
6.3	Sample selection and characteristics	134
6.4	Identification of contagion	142
6.5	Systemic banks	163
6.6	Conclusions	174
6.A.	Results from a one factor model	176
CHAPTER 7 SUMMARY AND CONCLUSIONS		179
REFERENCES		185
NEDERLANDSE SAMENVATTING (SUMMARY IN DUTCH)		195
BIOGRAPHY		201
ERIM PH.D. SERIES		203