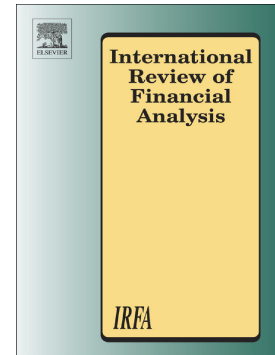


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NYSE Closure and Global Equity Trading: The Case of Cross-listed Stocks

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Abstract

Cross-listing in the US opens a new information channel for cross-listed stocks and makes the cross-listed stocks more dependent on the US market as a source of information and intermarket competition for order flow. We test this proposition by examining the effects of closures of the NYSE on trading of cross-listed stocks in their home markets. We use daily and intraday trading data for stocks from 36 countries that cross-list on the NYSE during the period 2009-2018 to estimate measures of stock liquidity and information efficiency of stock prices on normal days and on days when the NYSE is closed due to US public holidays and natural hazards. We document that, when the NYSE is closed, stocks that cross-list on the NYSE see a significant reduction in stock liquidity and information efficiency of stock prices in their home markets, over and above the reduction experienced by their domestic counterparts. In addition, we investigate several channels that could explain the documented reduction in liquidity and price efficiency - information, substitute and arbitrage channels. We document that cross-listed stocks are more affected by NYSE closure when they have greater dependence on the US market, and when arbitrage strategies are easier to implement, providing some evidence for the information channel and arbitrage channel arguments.

Key Words: cross-listing, market closure, stock liquidity, information efficiency of stock prices.

JEL Classifications: C24; G10.

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