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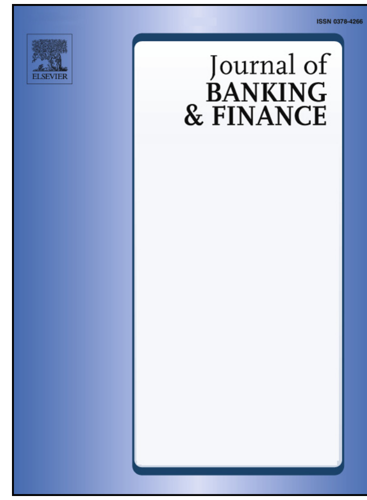


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# European financial market dependence: An industry analysis[♦]

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## Abstract

This paper uses a copula model to investigate the degree and determinants of European market dependence across 10 industries in 12 Euro zone and 8 non-Euro zone stock markets during the period 1992–2011. Most of the industries in Euro countries show a dependence increase with the Euro-area after the introduction of the Euro. The effects are strongest in countries with larger market capitalization and in the Financials, Industrials, Consumer Goods, Utilities, Technology and Telecommunications industries. Overall, the export intensity, interest rate sensitivity and competitiveness of an industry and the financial development and economic openness of a country are the most important determinants of changes in equity market dependence. The period around the Lehman collapse also shows higher equity market dependence between European countries, while the lower dependence increase during the period of the recent European sovereign debt crisis suggests that country-specific factors may matter more than before.

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