

The dynamics of contemporaneous spillover effects among European financial markets: A Pitch

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1. Introduction

This letter implements Faff's (2015) pitch template to a finance research topic. Currently, I am in the last year of PhD at Auckland University of Technology, New Zealand. As regards the previous studies, I completed a one year Master in Economics at Tor Vergata University, Italy and two bachelor and master degrees at Babes-Bolyai University, Romania. The attendance of Professor Faff's workshop on "Pitching Research" at the 2014 Auckland Finance Meeting, Doctoral Symposium has drawn my interest in applying the pitch template to the distinct empirical chapters that make up the main body of the PhD thesis. Following the pitch template in my PhD journey, I was able to better organize the ideas, main contributions to the literature and most importantly I become a better story teller.

The rest of the pitch letter is organized as follows. Section 2 briefly discusses the completed pitch template. Section 3 presents the personal opinions on the pitch implementation, while Section 4 concludes.

2. Brief review of the Pitch Template

The pitch presented in this letter, Table 1, is based on the second chapter of my PhD, "The dynamics of contemporaneous spillover effects among European financial markets" (with Bart Frijns and Alireza Tourani-Rad). As Unda (2015) and Beaumont (2015), my pitch is "reverse engineered" ("ex post"). However, it differs from their pitch, since, although initially I haven't completed the pitch template, I closely followed its structure. This helped me in better writing this paper and the last chapter of my PhD thesis.

I start addressing the pitch template by first carefully reading all Faff's (2015) "cues" which were really useful when I then went back and complete each section in order. The key papers that I identified to be the closest to the paper are those of Ehrmann and Fratzscher (2015), Bhanot et al. (2014) and Kosmidou et al. (2015). These studies are important to be mentioned since constitute the primary drivers for the research motivation. That is, the existence of spillover effects among the European financial markets. While Ehrmann and Fratzscher (2015) provide evidence of an increase/reduction in the contemporaneous spillovers from the German bond market to the other European bond markets due to GFC/EDC, Bhanot et al. (2014) and Kosmidou et al. (2015) show that the news announcements, i.e., the credit ratings downgrades and financial assistance programs have negative/positive impacts on the European equity markets as well. These results lead us to the main idea of the paper which is presented in the pitch template at the item E. The reminder of Table 1 highlights the Data, Tools, What's New, So What, Contribution and other Considerations which I consider that do not require any further explanation at this moment.

3. Personal Opinion on the Pitch Exercise

I completely agree with Faff's (2015) that starting a research proposal is really challenging. Moreover, I consider that this is even harder especially when being a PhD student with no experience in looking for ideas, writing and not knowing the steps that need to be taken in coming up with an original research idea. Looking back at the beginning of PhD, I remember that I used to read many papers on a certain general topic in order to come up with something new, original that is missing in the literature. However, at the end I was struggling to what Faff's (2015) refers as the "cocktail glass". Having probably more papers than I actually need made it hard for me to narrow down and to identify the main relevant ones. Once arrived there, the motivation, novelty, practical implications and contribution are through the main important "answers" that practically sell the story of the paper and which before I wasn't quite aware that need to be addressed. Before knowing the pitch template, I used to start writing without actually having a clear idea of what do I want to achieve, where do I want to end up and what are the main points that I want to emphasize. Completing the pitch template and answering to all the sections, these previous issues were challenging at the beginning but latter one made me write more efficiently. In agreement with Beaumont (2015), the "Other Consideration" section, in particular, targeting a specific journal together with the risk associated with this and the paper

is something that I hadn't think about during my master studies. However, to become a successful researcher, this is something that everybody should be aware of since the start given that will also help in the way the paper should be written.

All in all, being aware of this pitch template at the beginning of PhD, it would of saved me a lot of time in trying to actually figure it out by myself how to structure a proposal, what to look for when reading papers, and most importantly how to write up a high quality paper.

4. Conclusion

In this letter, I outline the pitch template related to the examination of contemporaneous spillover effects between the German and GIPS equity markets. Like Ratiu (2014) I consider that the pitch template provides a useful tool to keep ideas straightforward, well-organized and helps moving forward and not sideways. Personally, writing this pitch was a really good exercise to better understand and highlight the story of this paper. Moreover, this structure also provided me with an efficient method of writing the other chapter of PhD thesis. On the whole, I would recommend this pitch template to be used by the PhD students, new and not only researchers. Honestly, by completing the pitch template my life become easier.

Table 1: Completed Pitch Template

(A) Working Title	The dynamics of contemporaneous spillover effects among European financial markets
(B) Basic Research Question	How the magnitude of instantaneous transmission of return shocks (i.e., contemporaneous spillovers) among the European stock markets change over time?
(C) Key paper(s)	Ehrmann, M., & Fratzscher, M., 2015. Euro area government bonds: Integration and fragmentation during the sovereign debt crisis, <i>Working paper, Deutsches Institut für Wirtschaftsforschung</i> , 1479. Bhanot, K., Burns, N., Hunter, D., & Williams, M., 2014. News spillovers from the Greek debt crisis: Impact on the Eurozone financial sector, <i>Journal of Banking and Finance</i> , 38, 51-63. Kosmidou, K. V., Kousenidis, D. V., & Negakis, C. I., 2015. The impact of the EU/ECB/IMF bailout programs on the financial and real sectors of the ASE during the Greek sovereign crisis, <i>Journal of Banking and Finance</i> , 50, 440-454.
(D) Motivation/Puzzle	The responses to the European Debt Crisis (EDC), i.e., the financial support programs and European Central Bank’s policies, aimed to avoid the transmission of shocks across the European markets. Thus, is important to understand these “spillover effects” among not only the bond markets, where the crisis originated, but also the equity markets since they were affected as well. Existing studies focus on the lead-lag relations and argue that the EDC and Global Financial Crisis (GFC) increased the spillover effects, while other studies argue that there is a decrease in their magnitude. One important aspect, however, which is not taken into consideration and may be one of the reasons for this disagreement is that European markets trade simultaneously. As such, transmission of shocks among these markets can occur instantaneously.
THREE	Three core aspects of any empirical research project i.e. the “ IDioTs ” guide
(E) Idea?	The idea is to provide a clear understanding of how the contemporaneous effects change over time, especially during financial crises, together with what drives their dynamics in European equity markets. For instance, whether there is asymmetry and time-variation in contemporaneous spillover effects, and whether financial crises, financial assistance programs and credit ratings downgrades influence their dynamics.
(F) Data?	(1) Setting: The Morgan Stanley Capital International (MSCI) equity return indices for Greece, Italy, Portugal, Spain (GIPS) and Germany. The choice of these countries is due to the fact that their markets are integrated and related through trade, banking system and debt holdings which facilitate the transmission of shocks among them, especially during the European crisis. As such, it is important to investigate whether or not the magnitude of the spillover effects has changed with the ongoing EDC. Moreover, while Germany is one of the major Eurozone contributors to the bailout packages and provides financial assistance to the troubled EA countries, GIPS were hit the hardest by the EDC. Sampling: Weekly frequency. This frequency minimizes the effects of non-synchronous data which may arise when one market is closed in one country, while other market is opened in another country. Moreover, we consider that the weekly frequency is characterized by less noise and is able to better analyze the transmission of return shocks over time and during financial crises. (1) Sample: January 2003 to December 2014. (2) Data Source: Thomson Reuters DataStream.
(G) Tools?	Research design: The structural VAR (SVAR) model is well suited to investigate the transmission of shocks, especially during the GFC and EDC, among our stock markets. The main challenge in the estimation of the SVAR model is the identification of shocks to individual equity markets, namely, contemporaneous relations, without imposing restrictions on the direction of these effects. To achieve identification, we employ the

	<p>approach of Lutkepohl (2012) which relies on the heterogeneity of the volatility in equity returns. To capture the time variation in contemporaneous spillover effects, a rolling windows estimation is used.</p> <p>Econometric software: OxMetrics and Matlab.</p>
TWO	Two key questions
(H) What's New?	What is new is first the investigation of asymmetry and time-variation of contemporaneous spillover effects between the German and GIPS equity market returns. Second, the assessment of how financial crises and news announcements, such as financial assistance programs and credit ratings downgrades, contribute to these spillover effects. Third, from an empirical perspective, use Lutkepohl's (2012) approach which allows us to address the simultaneity issue.
(I) So What?	The knowledge of return contemporaneous spillover effects is of considerable importance to investors, as well as policy makers. For instance, on the one hand, if there is a reduction in transmission of return shocks between German returns and GIPS returns this is preferable since it hampers a more systemic crisis in the EA. On the other hand, this poses challenges for policy makers given that it leads to unequal transmission of policies across the EA (Ehrmann and Fratzscher, 2015). Given that GIPS countries have faced different challenges, especially during the financial crises, we can expect that contribution of financial assistance programs and credit ratings downgrades to affect differently the return spillovers from Germany to GIPS and the other way around.
ONE	One bottom line
(J) Contribution?	Analyzing the instantaneous transmission of shocks across the German and GIPS equity market returns taking into consideration EDC, as well as the GFC.
(K) Other Considerations	This paper addresses an important question therefore targeting a top tier journal is desirable. Given that there is a high debate on the impact of financial crises among researchers and policy makers, the risk of being beaten by a competitor is medium.

References

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