Taylor & Francis
Online

The European Journal of Finance ›
Volume 4, 1998 - Issue 2

1,160 Views | 40 CrossRef citations to date | 0 Altmetric

Original Articles

Interest rate changes and common stock returns of financial institutions: evidence from the UK

E. Dinenis & S. K. Staikouras

Pages 113-127 | Published online: 14 Oct 2010

Cite this article https://doi.org/10.1080/135184798337344

Sample our
Economics, Finance,
Business & Industry Journals
>> Sign in here to start your access
to the latest two volumes for 14 days

References Citations Metrics Reprints & Permissions

Read this article Share

Abstract

The objective of this paper is to examine the impact of interest rate changes on the common stock returns of portfolios of financial institutions in the UK. The five groups of financial institutions examined are banks, insurance companies, investment trusts, property investment companies and finance firms. In addition, a wide sample of nonfinancial firms is considered for comparison purposes. A two-index model is employed to test the effect of both current and unanticipated interest rate changes. An element of volatility in market yields is also introduced in a three-index model to measure the effect of variability in interest rates on the returns of these financial intermediaries. Two main implications emerge from the present paper for both financial and nonfinancial firms. First, a significant negative relationship seems to exist between

the common stock returns and the changes in interest rates. Second, common stock returns and variability of interest rates are related with a significant positive coefficient.

Keywords:

Financial Institutions Stock Returns Unexpected Interest Rate Changes Interest Rate Volatility

Related Research Data

Market Evidence on the Effective Maturity of Bank Assets and Liabilities
Source: Journal of money credit and banking
The Option Pricing Model and the Risk Factor of Stock
Source: Unknown Repository
An Efficient Method of Estimating Seemingly Unrelated Regressions and Tests for Aggregation Bias
Source: Journal of the American Statistical Association
INTEREST RATE RISK AND EQUITY VALUES OF HEDGED AND UNHEDGED FINANCIAL INTERMEDIARIES
Source: The Journal of Financial Research
EXPECTATIONS, INTEREST RATES, AND COMMERCIAL BANK STOCKS
Source: The Journal of Financial Research
Three Factors, Interest Rate Differentials and Stock Groups
Source: The Journal of Finance
Access to deposit insurance, insolvency rules and the stock returns of financial

Related research

People also read | Recommended articles | Cited by 40

Stock returns, inflation and interest rates in the United Kingdom ›

Mohammad S. Hasan
The European Journal of Finance
Published online: 11 Nov 2008

Market, interest rate, and exchange rate risk effects on financial stock returns during the financial crisis: AGARCH-M approach >

Aloui Mouna et al.
Cogent Economics & Finance
Published online: 5 Jan 2016

Impacts of short-term interest rates on stock returns and exchange rates: Empirical evidence from EAGLE countries >

Oguzhan Ozcelebi et al.
The Journal of International Trade & Economic Development
Published online: 28 Sep 2016

View more

Information for

Authors

R&D professionals

Editors

Librarians

Societies

Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

Help and information

Help and contact

Newsroom

All journals

Books

Keep up to date

Register to receive personalised research and resources by email

Sign me up

Copyright © 2026 Informa UK Limited Privacy policy

Cookies Terms & conditions Accessibility

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG

Taylor & Francis by informa