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

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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 ... del to measure ... ancial intermed ... oth financial and ... ist between the co ... non stock returns a ... e coefficient.

Keywor ... Volatility