

Press Release

Brussels, 26th May 2005

Jossephe de la Vega Prize 2005

FESE has awarded the Jossephe de la Vega Main Prize 2005 in equal parts to:

- Professor Charlotte Christiansen for her paper “Decomposing European Bond and Equity Volatility” and;

- Helena Beltran, Professor Alain Durré and Professor Pierre Giot for their paper “Volatility Regimes and the Provision of Liquidity in Order Book Markets” (see abstract)

The prize was awarded by Prof. Dr. Sven Caspersen, Rector Emeritus of Aalborg University and Chairman of the Jury, in a ceremony at the 9th European Financial Markets Convention, hosted and organised by FESE in Brussels on the 26th & 27th May 2005.

In her paper, Charlotte Christiansen investigates volatility spillover from US and aggregate European asset markets into European national asset markets. One of the novelties of her approach is that she analyses bond and equity volatilities simultaneously.

She suggests a new model belonging to the “volatility spillover”: The conditional variance of, for example, the unexpected German stock return is divided into separate effects from the specific variance of US bonds and US stocks, European bonds and European stocks, German bonds and German stocks.

And indeed, significant volatility spillover effects are found: The national bond volatilities are mainly influenced by bond effects, the stock volatilities by stock effects. Global, regional, and local volatilities all have their important effects. The author further observed that the introduction of the euro created a significant structural break.

The authors analyse whether the liquidity provision in a pure order book market during normal market conditions (i.e. in a low volatility regime) differs from what is observed when the market is under stress (i.e. in a high volatility regime).

For ten of the top Belgian stocks (BEL 20), they show that the static relationship between liquidity and volatility is resilient to regime changes in volatility. Nevertheless, they found that it is more costly to trade when volatility is large.

A VAR analysis shows that the liquidity dynamics is similar in the low and high volatility regimes, although the drop in liquidity subsequent to volatility shocks is larger in the high volatility regime.

Finally, the market proved to be more resilient to volatility or liquidity shocks in periods of turmoil.

Jossephe de la Vega Prize 2005 – Jury

Jury Chairman: Prof. Sven Caspersen, Rector of Aalborg University (Denmark), former President of FESE

Jury Members:

Prof. Arnoud Boot, Professor at the University of Amsterdam

Mr. Lars Bredin, Former President and CEO Stockholm Stock Exchange (Sweden)

Mr. Didier Davydoff, CEO Observatoire de l'Épargne Européenne (OEE) (France)

Prof. Jean Dermine, Professor of Banking & Finance of INSEAD (France)

Prof. Karel Lannoo, Director Centre for European Policy Studies (Belgium)

Prof. Ahmad Rahnema, IESE University of Navarra

Prof. Dr. Hartmut Schmidt, Professor of Finance of the University of Hamburg

Mr. Antonio Sainz de Vicuna, General Counsel, European Central Bank

Mr. Stefan Seip, Director General, BVI Bundesverband Investment und Asset Management (Germany)

Prof. Paulo Soares de Pinho, Faculty of Economics, Universidade Nova de Lisboa

Prof. Michael Theobald, Professor of Finance and Investment of the University of Birmingham

Mr. Daniel Wiener, Vice President, Brokerage State Street Corporation

Paul Arlman, Secretary General of the Federation of European Securities Exchanges, a non-voting member

Further information can be found on the Joseph de la Vega section of this website or by contacting:
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