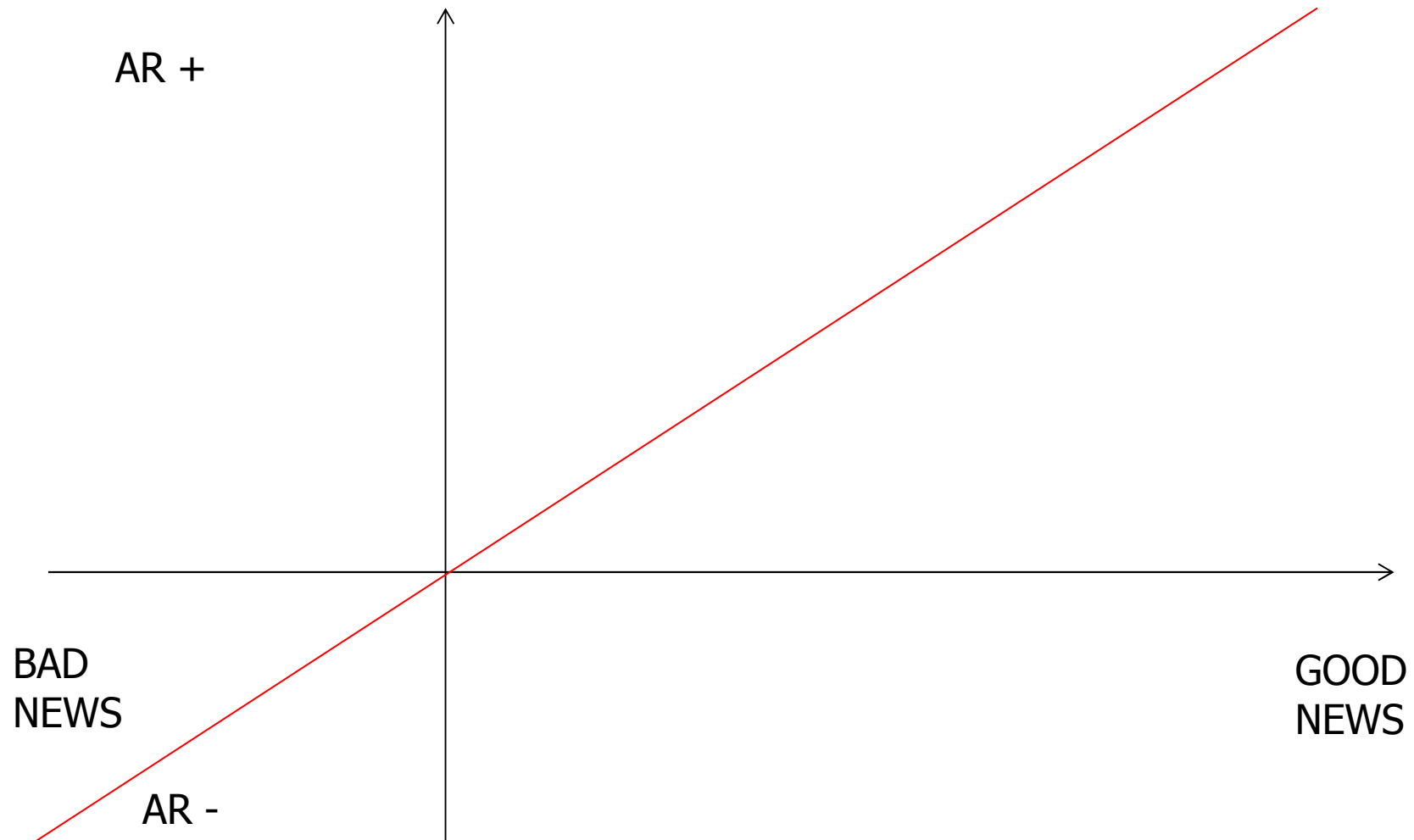


FINANCIAL VOLATILITY AND INFORMATION RELEASING: TWO TALES

Donato Masciandaro

Abnormal Returns and information releasing

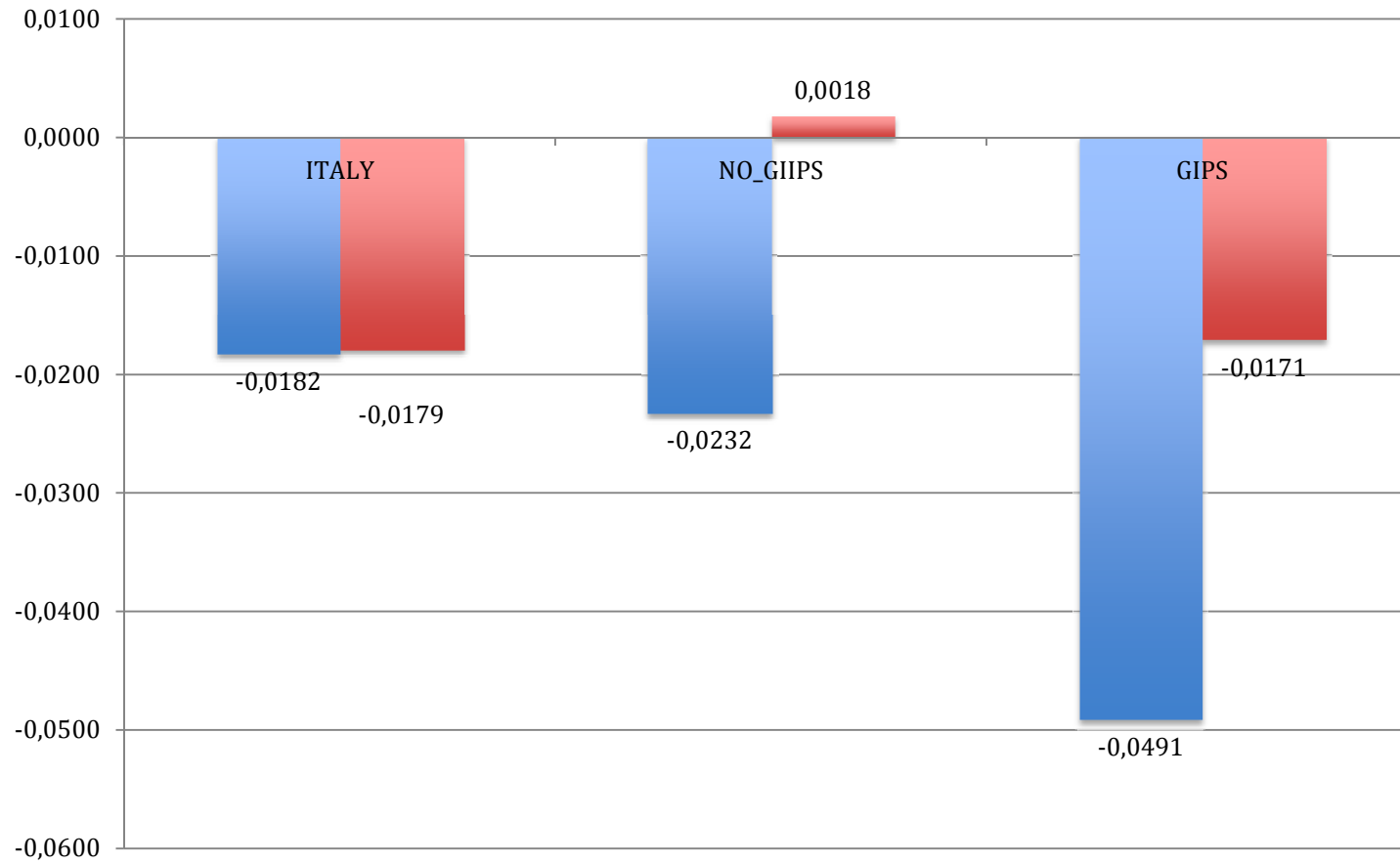
Bocconi



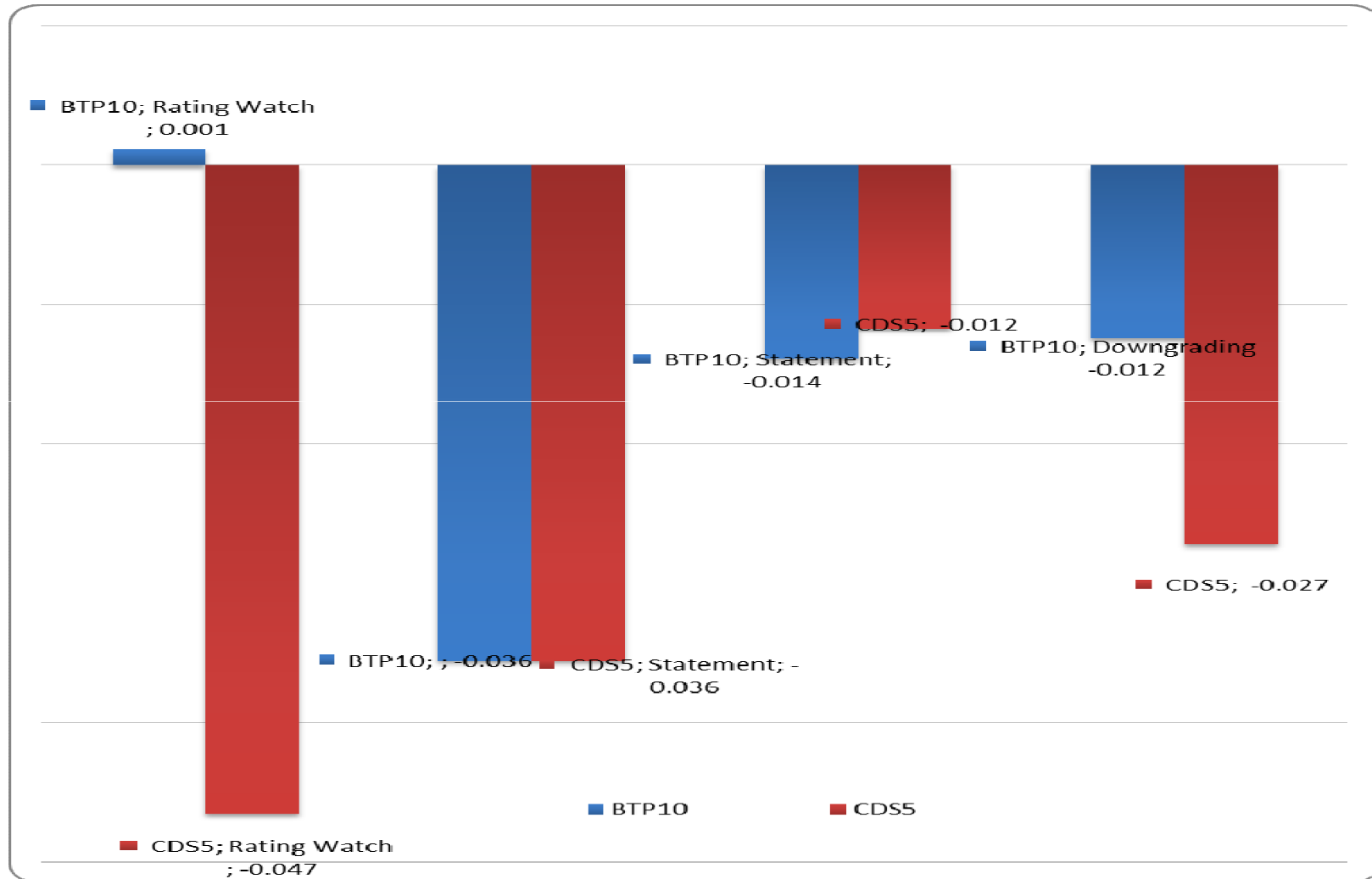
Abnormal Returns and information quality

- **Good** volatility = true and clear information
- **Bad** volatility = false and/or opaque information

Abnormal Returns and private releasing: information policy



Abnormal Returns and private releasing: communication policy



Public releasing

	AQR (EU metrics)	BASELINE STRESS TEST	ADVERSE STRESS TEST
ECB 2013 DATA	8/15 FAILED IT BANKS		
EBA CRITERIA 2013 DATA		8/15 IT FAILED BANKS	9/15 IT FAILED BANKS
BANK OF ITALY 2014 DATA	0/15 IT FAILED BANKS	4/15 IT FAILED BANKS (MAIN)	4/15 IT FAILED BANKS (MAIN)
		2/15 IT FAILED BANKS (OVERALL)	2/15 IT FAILED BANKS (OVERALL)

Public releasing

Bocconi



Public releasing

FINANCIAL TIMES

WORLD BUSINESS NEWSPAPER

MONDAY 27 OCTOBER 2014

EUROPE

Greek tragedy
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Muscle heads
The CEO fad for extreme fitness has gone too far — LUCY KELLAWAY, PAGE 16

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The quiet death of a radical US monetary policy — PAGE 3

Italy comes under pressure after nine banks fail ECB stress tests

• 25 European lenders have shortfalls • Banca Monte dei Paschi di Siena is biggest loser

FT REPORTERS

Italy's central bank was thrown on the defensive yesterday as its banking sector emerged as the standout loser in health checks aimed at restoring confidence in the euro area's financial sector.

Officials at the Banca d'Italia criticised parameters in regulatory stress tests as unrealistically harsh on Italian banks and disputed the exact number of failures, after nine Italian lenders fell short in a comprehensive assessment by the European Central Bank. Across the euro area 25 banks emerged with capital shortfalls following an unprecedented regulatory effort aimed at dispelling uncertainty over the sector.

The announcement represents the realisation of more than a year of intensive work costing hundreds of millions of euros and involving thousands of officials and accountants — all aimed at restoring investor faith in European banks ahead of the launch of a unified banking supervisor in Frankfurt.

The biggest failure was Banca Monte dei Paschi di Siena, which has already hired Goldman, Citigroup and UBS to advise on its options after it received takeover approaches.

German banks were largely unscathed, with only one technical failure, while Spain closed its way through with no shortfalls.



Scrambling into action: the ECB's Asset Quality Review triggered capital ratings and asset sales by banks

Briefing

- Investors pull \$9bn from EMI shares: Global market turbulence has triggered the biggest outflow from emerging market equities in more than a year. — PAGE 17
- SoftBank snags up Nigeria creative chief: Japan's SoftBank has poached a key member of Sony's Nigeria team to join the rapidly growing telecoms group. — PAGE 17
- Comcast's broadband battleground: If it can win approval for its \$4.5bn bid for Time Warner Cable, Comcast will surpass Disney to become the world's largest media group. — PAGE 5
- Allure of Isis attracts Libya's jihadists: Caravans of fighters brandishing the flag of the Islamic State of Iraq and the Levant have begun to appear in Libya, suggesting an expansion. — PAGE 3
- Widodo shows caution in cabinet picks: Indonesia's new president Joko Widodo has named his new cabinet a mix of technocrats, business people and political appointees that suggests he will not pursue rapid reforms. — PAGE 4
- Volatile markets cause IPO delays: Market volatility has soured investor appetite for equity listings with more than a dozen deals postponed or withdrawn, raising the prospect of a bumper year ending on a limp note. — PAGE 18
- Nigeria warns on falling oil prices: Nigeria has two to three months of rainy day savings to cushion it while "contingencies are put in place" should world oil prices continue to fall, according to an economy minister. — PAGE 4
- Business attacks Sweden's government: Leading Swedish business people have decried what they see as the anti-business rhetoric of Sweden's new centre-left government. — PAGE 3

Failed banks ECB results, October 2014

Spain 9	Germany 3	Cyprus 3	Belgium 2	Portugal 2	Ireland 2	Germany 1	Total
25							25

Failed banks EBA results, July 2014*

Spain 3	Greece 2	Germany 1	Total
6			6

* The EBA, which has the last European authority to test the banks' capital, said

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Stress testing has shown the ECB's Asset Quality Review biggest capital shortage and asset value by banks

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Failed banks ESR results, July 2011

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Intesa Sanpaolo	€1.0 billion	€1.0 billion
BNP Paribas	€0.8 billion	€0.8 billion
Commerzbank	€0.7 billion	€0.7 billion
ING	€0.6 billion	€0.6 billion
Deutsche Bank	€0.5 billion	€0.5 billion
Bank of America	€0.4 billion	€0.4 billion
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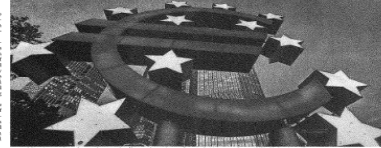
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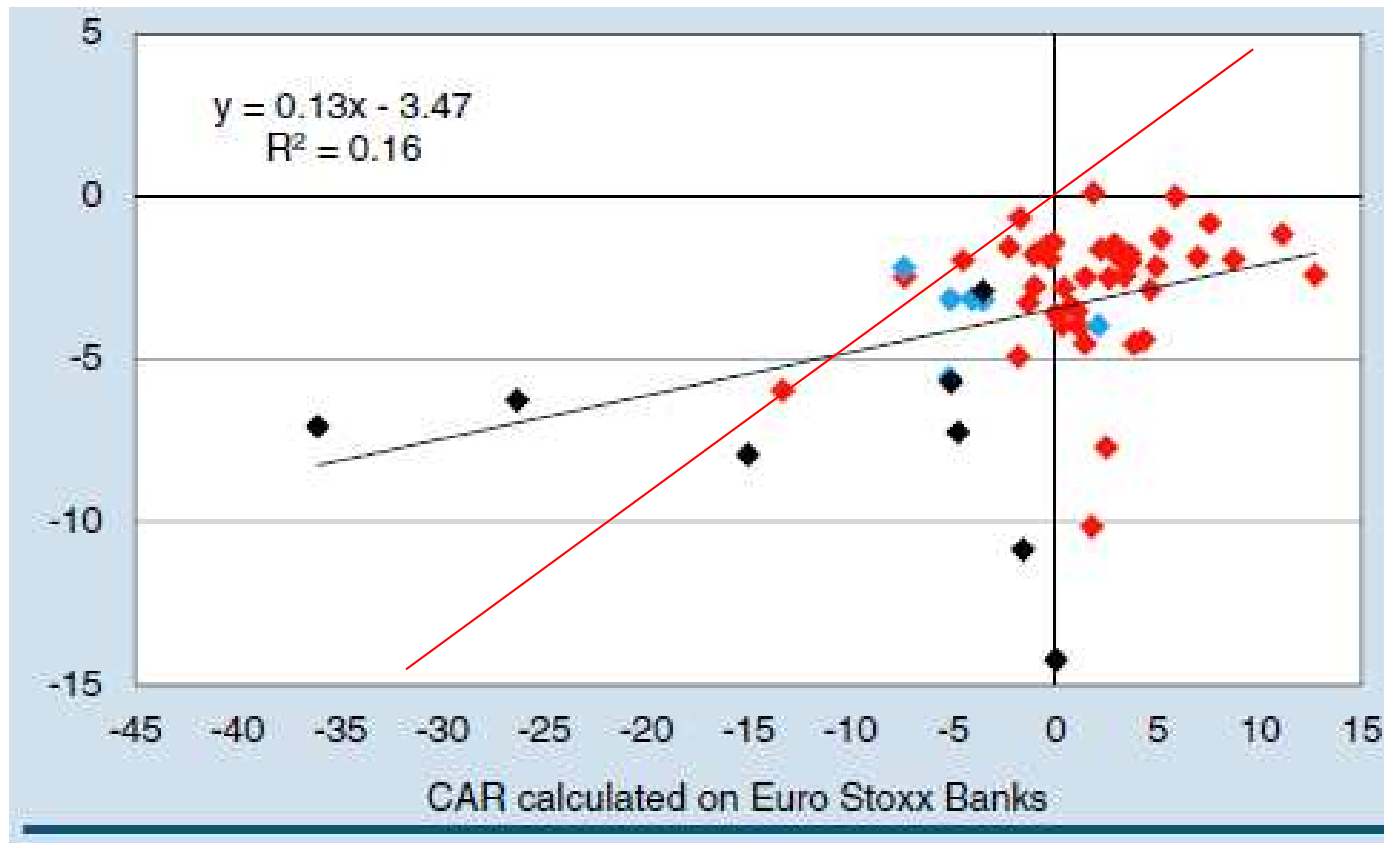
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Abnormal Return and Public releasing: Euro Stoxx Banks

Relation between CARs and changes in the CET1 ratio
(percentage points)



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