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AMF publishes study on the propagation of market shocks

Do important news releases have similar impacts on the prices of different financial instruments ? Does belonging to a European index change the degree of such impacts? The Autorité des Marchés Financiers (AMF) used data from trades in equities, equity indices and equity index futures contracts to analyse the propagation of seven recent market shocks, in terms of magnitude and over time.

In order to gain a better understanding of the price formation dynamics, the AMF analysed the propagation of shocks to different types of equity instruments when sequences of sharp jumps occur, following an important news release. The aim was to report on the observations made when searching for a potential chronological sequencing in price formation between instruments and does not attempt to demonstrate a causal relationship between markets.

The AMF examined the impact of seven important announcements made in 2015 and 2016, some news items were expected (such as certain European Central Bank announcements), while others were not (such as the Swiss National Bank's decision to remove the Swiss franc's peg against the euro).

Here are a number of the key findings:

- in the single case when trading was suspended in the EuroStoxx 50, CAC40 prices wavered, underscoring the importance the EuroStoxx can have in decision-making by


French market participants;

- the CAC 40 moves virtually in lockstep with the EuroStoxx 50, the gap between moves in the two futures contracts narrowed to milliseconds, and it is no longer possible to draw conclusions on price sequencing at this level of granularity;
- French stocks included in EuroStoxx 50 are more sensitive and volatile than shares on the Paris stock exchange that are not included in the pan-European index.

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