



Stony Brook  
University

## Department of Economics SPRING 2022 SEMINAR SERIES

### Cross-country stock market co-movement: a macro perspective

We establish a link between two recent trends: (i) the rise in cross-country stock market correlations over the past three decades, and (ii) the increase in foreign direct investment (FDI) positions over the same period. We document the presence of these phenomena, both for the US versus developed economies, as well as for bilateral pairs of developed economies, and show that the relation between FDI and stock market correlations survives controlling for other relevant factors. We then develop a two-country asset pricing model with multinational firms in order to inspect and quantify the mechanism underlying the increases in stock market correlations and FDI. We find that the increase in FDI positions in the calibrated model can account for approximately one third of the rise in the observed stock market correlations. We also extend the model to account for increases in trade and portfolio diversification and find that, in contrast to FDI, these two factors do not generate an increase in stock market correlations in this context.



## CHRYSSI GIANNITSAROU

PROFESSOR, FACULTY OF ECONOMICS  
UNIVERSITY OF CAMBRIDGE  
(VISITING STONY BROOK THIS SEMESTER)

**Monday, MARCH 28, 2022**

**1:00 - 2:20 PM**

**SBS, N603**

This semester we are presenting **in-person** seminar series!

All in-person seminars will be held in the Social & Behavioral Sciences Building (Room N603).

For additional information, contact our seminar organizers:

**Steven Stern and David Wiczer.**

Visit our seminar webpage for additional information or **Scan the QR code:**

