

September 2022

DNB Research Newsletter

DeNederlandscheBank

EUROSYSTEEM

Research highlights

1. Banks' seasoned equity offerings announcements and central bank lending operations

When banks make an announcement to raise new equity, this is typically followed by an underperformance of their stock price. This negative effect is often attributed to asymmetric information: firms have an incentive to issue shares when they are overvalued, which outside investors perceive as a negative signal leading to a downward price adjustment. However, other elements may also play a role. A new DNB Working Paper by Massimo Giuliadori, Jan Kakes and Dimitris Mokas examines one of such elements: banks' reliance on central bank lending operations, which have been important policy tools since the Global Financial Crisis. [Read more](#)

2. The displacement effect of compulsory pension savings

A displacement effect smaller than 1 means that if one were not obliged to save 1 euro as a pension, this person would voluntarily save only part of it. How much depends on personal characteristics. We show that this effect is lower for self-employed workers, who are often not obliged to save for an occupational pension. They would save 61 cents of that euro, while wage-employed workers would only save 31 cents and consume the rest. [Read more](#)

3. What drives trust in the financial sector supervisor? New empirical evidence

Trust in financial institutions is key to the functioning of the financial sector and is affected by the behavior of financial institutions. Therefore, trust in the financial supervisor may enhance trust in the financial sector, if consumers are aware that the behavior of financial institutions is supervised. Surprisingly, only a few studies have touched upon trust in the financial sector supervisor. Using the 2022 DNB Trust Survey among more than 2,000 consumers in the Netherlands, Carin van der Crujssen, Maurice Doll and Jakob de Haan provide insight into the drivers of trust in DNB. [Read more](#)

4. Antti Yang's PhD defense "Corporate Bond Markets: Investor Preferences and Intermediary Frictions -- How market participants shape corporate bond markets"

Interview with Antti Yang, researcher at the EBO Research department of DNB. On September 15, Antti defended his PhD thesis "Corporate Bond Markets: Investor Preferences and Intermediary Frictions" at the Erasmus University Rotterdam. [Read more](#)

Publications (since July 2022)

Working Papers

[750 - What drives trust in the financial sector supervisor? New empirical evidence](#)

Carin van der Cruijssen, Maurice Doll and Jakob de Haan

[749 - Till debt do us part: strategic divorces and a test of moral hazard](#)

Yeorim Kim, Mauro Mastrogiacomo, Stefan Hochguertel and Hans Bloemen

[748 - Banks' seasoned equity offerings announcements and central bank lending operations](#)

Massimo Giuliodori, Jan Kakes and Dimitris Mokas

[747 - The displacement effect of compulsory pension savings on private savings. Evidence from the Netherlands, using pension funds supervisory data](#)

Yue Li, Rik Dillingh and Mauro Mastrogiacomo

[The relationship between central bank auctions and bill market liquidity](#)

ECB Working Paper No 2708.

Joost Bats and Jurian Hoondert

Occasional Studies

[Werkenden zonder pensioenopbouw](#)

Cindy Biesenbeek, Bas Heerma van Voss and Mauro Mastrogiacomo

[The Eurosystem's monetary toolbox in unconventional times \(dnb.nl\)](#)

Jan Kakes, Inge Klaver and René Rollingswier

[On the capitalisation of central banks](#)

Dirk Broeders and Paul Wessels

[A macroprudential perspective on cyber risk](#)

Helga Koo, Remco van der Molen, Robert Vermeulen, Ralph Verhoeks and Alessandro Pollastri

Published journal articles

[Dynamics and heterogeneity of subjective stock market expectations](#)

Florian Heiss, Michael Hurd, Maarten van Rooij, Tobias Rossmann and Joachim Winter

Journal of Econometrics, 2022, 231, 213-231.

[Trust in the ECB: drivers and consequences](#)

Nils Brouwer and Jakob de Haan

European Journal of Political Economy, 2022, 102262.

[Has the COVID-19 pandemic affected public trust? Evidence for the US and the Netherlands](#)

Carin van der Cruijssen, Jakob de Haan and Nicole Jonker

Journal of Economic Behavior & Organization, 2022, 200, 1010-1024.

[Pandemic payment patterns](#)

Nicole Jonker, Carin van der Cruijssen, Michiel Bijlsma and Wilko Bolt

Journal of Banking and Finance, 2022, 143, 106593

[Getting the balance right: Crypto, stablecoin and central bank digital currency](#)

Wilko Bolt, Vera Lubbersen and Peter Wierts

Journal of Payment Strategy and Systems, 2022, 16 (1), 39-50.

Forthcoming journal articles

[Drivers of trust in the ECB during the pandemic](#)

Carin van der Cruijssen and Anna Samarina

Applied Economics

Other publications

[Kijk voor winstgevendheid van banken vooral verder dan return on equity](#)

Economisch Statistische Berichten

Rosa van As, Dirk Broeders and Joris van Toor

[Misallocatie kapitaal en arbeid tijdens coronacrisis verder toegenomen](#)

Economisch Statistische Berichten 107 (4811S), 42-45

Maurice Bun and Jasper de Winter

[Inflatieverwachtingen werken sterker door in loongroei](#)

Economisch Statistische Berichten 107 (4813), 420-423

Dennis Bonam and Andra Smadu

[The Eurosystem's bond market share at an all-time high: what does it mean for repo markets?](#)

SUERF Policy Brief 367

Tomas Carrera de Souza and Tom Hudepohl

[Country biases in equity portfolios are less pronounced and less irrational than one might think](#)

SUERF Policy Brief 423.

Martijn Boermans, Ian Cooper, Piet Sercu, and Rosanne Vanpee

[The effect of introducing a Loan-to-Value limit on homeownership](#)

SUERF Policy Brief 333

Cindy van Biesenbeek, Mauro Mastrogiacomo, Rob Alessie and Jakob de Haan

[LTV, weg ermee?](#)

Ruimte en Wonen
Cindy van Biesenbeek

[Geen pensioen en geen huis? Het effect van LTV-limieten op de vermogensopbouw van zelfstandigen](#)

Netspar Design Paper 208
Mauro Mastrogiacomo and Cindy van Biesenbeek

For a complete list of publications see our [website](#).

Events

Research seminars

Past

[12 July 2022](#): The Dual U.S. Labor Market Uncovered

Bart Hobijn (Arizona State University and Federal Reserve Bank of San Francisco)

[6 September 2022](#): Costly disasters, energy consumption, and the role of fiscal policy

Fabio Canova (Norwegian Business School)

[13 September 2022](#): A Hitchhiker Guide to Empirical Macro Models Toolbox

Fabio Canova (Norwegian Business School)

[20 September 2022](#): Foreign Exchange Interventions and their Impact on Expectations: Evidence from the USD/ILS Options Market

Markus Hertrich (Bundesbank)

[22 september 2022](#): Coherence without Rationality at the ZLB

Nigel McClung (Bank of Finland)

[27 September 2022](#): The (Ir)Relevance of Rule-of-Thumb Consumers for U.S. Business Cycle Fluctuations

Qazi Haque (University of Adelaide)

[29 September 2022](#): Testing the effectiveness of unconventional monetary policy in Japan and the United States

Sophocles Mavroeidis (University of Oxford)

Forthcoming

[4 October 2022](#): The pass-through from inflation perceptions to inflation expectations

Daria Minina (University of Amsterdam)

[18 October](#): Dynamic Macroeconomic Implications of Immigration

Karl Walentin (Uppsala University)

[27 October](#): TBA

Silvia Miranda-Agrippino (Bank of England)

[15 November](#): TBA

David Martinez-Miera (Universidad Carlos III de Madrid)

[22 November](#): Transmission of Cyber Risk Through the Canadian Wholesale Payment System

Anneke Kosse (Bank for International Settlements)

[29 November](#): TBA

Gernot Muller (University of Tuebingen)

[13 December 2022](#): TBA

Michael McMahon (University of Oxford)

Workshops and conferences

Forthcoming

4 November 2022: [Netherlands Economists Day 2022](#)

During this day economists come together to discuss relevant economic themes and to present recent research. A wide variety of academic and policy sessions is offered. Ernst Fehr (University of Zurich) will provide the keynote speech: "The Heterogenous Human Quest for Fairness & Equality". DNB is one of the organizers of the Netherlands Economists day.

10-11 November 2022: [DNB annual research conference](#)

Inflation Strikes Back: Drivers and Policy Reactions

The focus of the conference is on driving factors of inflation and challenges for central banks in light of recent economic developments. We aim to provide a platform for researchers from academia, central banks, and other policy institutions to present and discuss their findings related to inflation dynamics.

20 December 2022: [XAmsterdam Macroeconomic Workshop](#)

This workshop organized by DNB aims at bringing together leading researchers, junior scholars and experts from the policy community in the field of macroeconomics, and at fostering interactions between economists in the US (or other parts of the world) and economists in the Netherlands or Europe. Accepted papers will be discussed by an expert in the field.

Other news

Andra Smadu won the ERMAS Association Prize for her paper "Uncertainty Shocks and the Monetary-Macroprudential Policy Mix". ERMAS stands for the Annual Scientific Conference of Romanian Academic Economists from Abroad. The [paper](#) is joint work with Valeriu Nalban (International Monetary Fund).

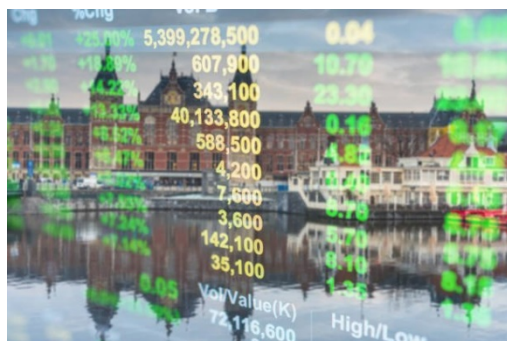
Research highlights, details

1. Banks' seasoned equity offerings announcements and central bank lending operations

Lending operations exacerbate negative signaling effects ...

The paper presents an event study for more than 400 equity offerings by European banks, to estimate how their stock price performs in the days following the announcement, relative to a market benchmark. Subsequently, these "cumulative excess returns" are explained by banks' participation in the Eurosystem's lending operations and several

controls, including characteristics of the offerings and the banks as well as market and economic circumstances.



The results show that offering announcements are indeed followed by a fall in stock prices. Moreover, this negative effect is exacerbated by lending operations. More specifically: the more banks fund themselves by participating in lending operations, the more negative is the response of their stock

price. One way to interpret this result is that lending operations with attractive conditions enhance a bank's solvency and liquidity position, which facilitates a bank's management to optimize the timing of equity offerings. This increased flexibility may increase the impact of asymmetric information, which implies a greater negative signaling effect.

... but the impact is short-lived

The negative impact of lending operations may be seen as a undesired side-effect of monetary policy, as it can discourage banks to raise equity when needed. However, the effect fades away quickly and becomes statistically insignificant beyond a two-day window and therefore is unlikely to have a major impact on banks' considerations of raising equity.

Read more?

See DNB Working Paper 748 Banks' seasoned equity offerings announcements and central bank lending operations by Massimo Giuliodori, Jan Kakes and Dimitris Mokas

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2. The displacement effect of compulsory pension savings

What is the displacement effect?

A mandatory retirement system can affect private savings through the displacement effect. So public pension may depress private savings; this inverse relation is often labeled the "displacement effect". In this study, we document heterogeneous displacement effects for wage-employed and self-employed individuals in the Netherlands, where these groups are differently exposed to compulsory pension savings. For instance, only a small group of self-employed must save for retirement. Our results show a displacement effect of 31% for wage-employed and 61% for self-employed. The higher effect might be explained by more awareness of pension accrual, or lack thereof, when one has no employer who pays pension premiums. An effect smaller than 1 (or 100%) indicates that if one were not obliged to save one euro, this person would save voluntarily only part of it. This would mean that people think that they are obliged to save too much. We show that this happens less often for self-employed.

Why do we study it?

The literature has produced a wide range of estimates for the displacement effect. This large variation in outcomes reflects the heterogeneity among the research subjects. The studies vary, for example, regarding sample periods, countries and pension schemes (public and/or private) they examine. Part of the deviation in estimates will stem from the biases and measurement errors that challenge this field of research. Still, it is also inherent to the institutional setting to which different groups are exposed, for instance, because of their occupation.

In the Netherlands, institutional differences across occupations are substantial, as most self-employed are typically not obliged to save, as are a small proportion of employees in specific sectors/firms. Filtering out these cases is key to properly understanding the true displacement effect for these groups. The recent availability of specific administrative data, albeit referring to the previous decade, allow a convenient identification of the displacement effect that was not possible before.

Policy implications for retirement preparation of self-employed

This study is closely related to the policy discussion concerning the retirement preparation of self-employed people. In the pension agreement, currently under parliamentary scrutiny in the Netherlands, it is still unclear if and how self-employed workers will be included. Also, in a recent study on participation in occupational pensions, DNB shows that self-employed generally do not compensate for the lack of occupational pension savings using private savings. While this indicates that these workers might consider occupational pension savings too high, concerns arise about the optimality of this decision when one considers market failure (such as present bias, myopia, imperfect information, etc.). In the Netherlands, the income upon which occupational pension accrual is computed is topped up to about 100k (known as the "Witteveenkader"). One might consider shifting this parameter for self-employed workers, should they be included in the occupational pension system. Hence a policy implication is that in a possible future pension system for the self-employed, the current income cap upon which pension is being accrued could be lowered.

Read more?

See the DNB Working Paper 474 The displacement effect of compulsory pension savings by Yue Li, Rik Dillingh and Mauro Mastrogiacomo.

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3. What drives trust in the financial sector supervisor? New empirical evidence

Pretty much trust in DNB

In 2022, on average, respondents had pretty much trust in DNB – the Dutch supervisor responsible for micro-prudential supervision of banks, insurance companies, and pension funds. Trust in DNB declined sharply during the financial crisis and has not yet wholly recovered.

More knowledge, more trust



Our research shows that public knowledge about supervision is positively associated with trust in the supervisor. The likelihood that someone trusts DNB a lot is 2.8 times larger for someone with the highest observed knowledge score than for

someone with the lowest observed knowledge score. Knowledge about DNB's power to decide on the issue/withdrawal of banking authorizations seems to be especially important. Still, public knowledge about banking supervision is far from perfect.

Supervision tasks and responsibilities increase trust

Respondents indicate that a wide range of tasks and responsibilities of DNB contribute to trust in the financial supervisor. The execution of the deposit guarantee system is the most important factor. The responsibilities to supervise financial institutions' resilience against cyber-attacks and financial health are also in the top three. Trust in the supervisor is related to personal characteristics. For example, trust in DNB is relatively high among high-educated males with a high income. It is also positively related to trust in other people, whereas the relationship with financial knowledge in general is less clear-cut.

Communication also enlarges trust

The research suggests trust in the financial supervisor might be enhanced by enlarging public knowledge of supervisory tasks and responsibilities. This is a very challenging route with obstacles on its way. Supervision is not easy to understand for non-specialists and it is hard to reach the public. There is hope, though, as the findings suggest that most of the public wants to be well-informed about banking supervision. Moreover, respondents self-declare that communication about supervision enhances their trust in the financial supervisor.

Read more?

See the DNB Working Paper 750 [What drives trust in the financial sector supervisor? New empirical evidence](#) by Carin van der Crujisen, Maurice Doll and Jakob de Haan.

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4. Antti Yang's PhD defense "Corporate Bond Markets: Investor Preferences and Intermediary Frictions -- How market participants shape corporate bond markets"

What are the main findings of your study?



In my dissertation, I show that preferences of investors and intermediaries that are active in the corporate bond market have an effect on the liquidity, pricing, and design of bond securities. I have researched two niche areas of the corporate bond market: green bonds and convertible bonds. In the first study, I show that green bonds are more liquid and resilient to market crashes because the green label attracts interest from sustainable investors. In the latter two studies, I document effects of hedge fund preferences on convertible bond prices and design.

How did you get involved in this topic?

I started my PhD studies in 2017 following a MSc in Econometrics. At that time, I really wanted to learn more about real economic mechanisms instead of just viewing them as random processes. My supervisor (prof. dr. Sjoerd van Bakkum) is a leading researcher in convertible bond research, so it was a natural entry point for me into the financial economics literature.

Any advice for policymakers?

Some people might not realize that the global fixed income market is larger than the global equity markets, so many firms and countries rely on the issuance of bonds for financing their operations. Policymakers are now more and more relying on financial markets to tackle important issues like climate change, and my dissertation examines exactly this transmission from investor preferences to financing decisions through market conditions. Bond markets are also prone to crashes during large sell-offs (e.g. as observed in March 2020), and my studies have some implications for resilience and financial stability as well.

Do you plan to continue doing research after graduating or are you simply happy that the job is done?

I'm happy that I finally have my PhD title, but I wouldn't say that the job is done. The past 5 years have really transformed the way I think and look at the world, and also gave me a good sense of the important topics out there. In October, I will move to London to start a new job as a consultant, but I will always remain a researcher in my heart and wouldn't be surprised if I moved back to (policy) research at some point in the future.

You can download Antti's PhD thesis [[here](#)].

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