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Who Fears the Far Right? Aggregate and Firm-Level Evidence from Three Western European Stock Markets

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Abstract

This research analyses the reaction of the Finnish, Austrian and Italian markets during the negotiations that led to the far-right's entry into their governments. Using the event study methodology and by focusing on abnormal returns, different significant reactions are found at an aggregate level. One noteworthy result is the negative abnormal returns associated to bad news for European Union stability. The firm-level analysis confirms this evidence and highlights some determinants of the variability of returns in the cross-section: most notably the role of the business relationship with the EU when explaining the differences between winners and losers.

1. Introduction

In 2002, Jean-Marie Le Pen reached the second round of the French presidential elections. This was a historical milestone for the far right. These results were repeated in the legislative elections several times, but the French two-round system made it possible to systematically isolate the National Front.

In the quasi-proportional parliamentary systems, most parties created the famous 'cordons sanitaires' around them, but they have recently allowed parties in Finland, Austria and Italy to enter government through coalition agreements.

This research focuses on the reaction of the stock markets to these processes. It is an important analysis because it can contribute to a better hedging for the future and, from an academic and social point of view, it is also interesting to understand the reaction of capital markets to a series of political events that are the subject of discussion and controversy in society.

There are two elements that can directly affect profit and the expected rate required by investors: political uncertainty and the values that these parties promote.

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With respect to the former, the financial literature has been abundant and prolific in recent years. Specifically, the articles on Donald Trump (Wagner, Zeckhauser & Ziegler, 2018), *Brexit* (Hill, Korczak & Korczak, 2019; Oehler, Horn & Wendt, 2017), the conflict between China and Taiwan (He, Nielsson & Wang, 2017), the China's anticorruption campaign (Wang et al., 2018) or the impeachment of Dilma Vana Rousseff (Hillier and Loncan, 2019), demonstrate the negative relationship between political instability and stock market returns.

In another line of research, the Partisan Theory (Hibbs, 1977), which relates the economy and the ideological position of political parties, has also been transferred to corporate finance and some evidence shows that aggregate returns and volatility are affected by the ideology of the parties in power.

With all this in mind, the aim of this research is threefold. First, to quantify the "far-right effect" on stock markets, through the specific observations that cause significant abnormal returns. Second, to compare the reaction in three markets to find similarities and differences. And finally, to demonstrate whether the reactions are related to the proposals of these parties and/or to firm-level fundamentals.

Our research contributes to the literature on how political instability is transferred to the markets, as the election results were tight, required talks and led to parties coming to power that had never before done so. Its main contribution, however, is that it is the first study of the reaction of capital markets to the coming to power of the far right, as parties with this sign had not yet been studied.

Moreover, this study is also the first to focus on a negotiation process. It covers the period from the day they officially announced the beginning of talks to the day they presented their agreement.

This process generates uncertainty *per se,* since investors cannot discount proposals affecting their portfolio in advance. However, these negotiations presented an added risk because the negotiating parties included radical proposals in their programmes.

We identified the various episodes that could provide new information to market participants during the negotiations. Then, using an event study methodology with different models, we analysed how these days affected national stock indices compared to the rest of Europe.

Additionally, these results are contrasted with a sample of the abnormal returns of more than 200 companies. This sample is used for the examination of different risk exposures at different lengths, considering industry fixed effects, size, value and variables related to right-wing populist proposals.

2. Literature Review

The current value of a given firm is a function of future cash-flows and a discount factor. The level of political instability may affect both variables (Belkhir, Boubakri & Grira, 2017 or Liu, Shu & Wei, 2017).

The definition of an event causing policy economic uncertainty is heterogeneous. On examining the recent literature, we can find research based on: country elections (Goodell & Vähämaa, 2013 or Wagner, Zeckhauser & Ziegler, 2018), referendums (Acker & Duck, 2015; Angosto-Fernández & Ferrández-Serrano, 2020; or Schiereck, Kiesel & Kolaric, 2016), cross-country disputes (He, Nielsson &

Wang, 2017) or political scandals (Liu, Shu & Wei, 2017 or Hillier & Loncan, 2019). In this sense, the study by Baker, Bloom & Davies (2016) deserves special attention since they created the Economic Policy Uncertainty (EPU) index whereby the peaks of political uncertainty can be identified.

We particularly focused on the relation between different elections and the stock market. In this context, many researchers developed a framework where the ideological position of the winning party is the key. This is known as the partisan theory[1], which states that left-wing parties cause inflation and interest rates to rise through expansionary policies, while the opposite behaviour is expected when right-wing parties reach power.

However, does this cycle affect the stock market? There is evidence based on the US exchange markets, but it is not always in the same direction. Using data from 1927 to 2000, Santa-Clara & Valkanov (2003) found that under democratic-party governments aggregate returns were significantly higher. Meanwhile, Leblang & Mukherjee (2005) found that since 1930 the US and the UK have experienced the opposite result.

Camyar & Ulupinar (2013) linked positive returns with left-wing governments in a study of 21 industrialized countries, including Finland, Austria and Italy, while Stoian & Tatu-Cornea (2015) found weak indications of the opposite result for EEC (European Economic Community) economies. Whereas Pardo & Furió (2010) failed to find any evidence affecting returns in Spain. These studies as a whole suggest that the partisan theory is time-dependent and country-specific.

Our investigation has a distinctive characteristic since all three countries are quasi-proportional democratic systems, so absolute majority governments are isolated cases, and this makes it more difficult to separate the effect of one party on the government. In this regard, Bechtel & Füss (2008) present evidence from Germany between 1970 and 2005, and they assert that multiparty governments are associated with the stability of stock returns since it is less likely that any law will be finally executed.

Belgium (Vuchelen, 2003) highlights that in a quasi-proportional system, instability is not resolved when the results are known, since parties must start negotiating, and they have to alter their proposals by seeking a consensus with other parties. According to the Uncertain Information Hypothesis (UIH) (Brown, Harlow & Tinic, 1988), this would cause returns to decrease until uncertainty was over.

Specifically, our article addresses the early market and firm-level reaction to the entry of the far right into a government coalition. This happened in Finland in 2015 with: the three-party coalition of KESK (*Keskusta*, centre), PS (*Perussuomalaiset*, far right) and KOK (*Kokoomus*, right); the coalition in Austria in 2017 between ÖVP (*Österreichische Volkspartei*, right) and FPÖ (*Freiheitliche Partei Österreichs,* far right); and the coalition in Italy in 2018 between M5S (*Movimento 5 Stelle,* 'centre'[2]) and LN (*Lega Nord,* far right)[3].

[1] In fact, there is a current dichotomy between the classical partisan theory (Hibbs, 1977) and the rational partisan theory. See Wisniewski (2016).

[2] The ideology of the M5S is in dispute since they never recognize any of the standard labels and the media often refer to them as populists.

The initial supposition is that this fact could not be discounted in advance by investors since polls were tight, but in no way did they predict a clear victory for the right, and less for the extreme right[4]. Moreover, these coalitions had never occurred before; therefore, it was difficult to predict the possibility of these coalition governments.

In this regard, there are no scientific papers published about the implications from this type of coalition for exchange markets worldwide; this is mainly because there have virtually been no governments of this kind in the last 80 years. In fact, the partisan theory often observes the difference between centre-right and centre-left governments. With such narrow conditions, if there is evidence of a market biased by partisanship, we also expect a reaction to a novel and highly politicized government.

These parties have common proposals that could impact financial markets badly. They are euro-sceptic, anti-globalization, and especially anti-immigration. These views could affect financial markets negatively through a disruptive change to all the policies of the European establishment, generating instability due to the impossibility of knowing if they will be able to apply their proposals and through which tools they will do so.

Up to this point, key facts regarding politics and financial markets have been strongly demonstrated. First, the negative relationship between political uncertainty and returns (He, Nielsson & Wang, 2017; or Schiereck, Kiesel & Kolaric, 2016), which may be because investors reduce their exposure to that market until uncertainty is resolved (Brown, Harlow & Tinic, 1988).

Second, by their very nature, situations causing policy risk, directly cause a market risk that is measurable through returns volatility, and both are positively correlated (Goodell & Vähämaa, 2013 or Pardo & Furió, 2010).

Finally, other researchers have provided information on the dispersion of returns at company level and have shown that differences in risk exposure depend on certain characteristics. Thus, good examples are investigations into *Brexit* (Davies & Studnicka, 2018; Shahzad et al., 2019) or the Scottish independence referendum (Acker & Duck, 2015).

3. Events Description

This paper covers uncertainty during government negotiations, and, it starts when a party convenes another/others to start conversations and ends when they reach an agreement. This process is highly country-specific; therefore, the period of analysis is heterogeneous among countries.

Briefly, we would like to introduce these three processes in chronological order. The Finnish election took place on April 19, 2015. The outcome was very close to the poll of polls and resulted in a four-way tie. The negotiations started on

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[3] We use the term far right as it is widely accepted and is used to define parties against immigration and multiculturalism, and, in this case, euro-sceptic, but it is far from the term used to define traditional fascism. See Mohammadi and Nourbakhsh (2017) and Van Hauwaert (2019).

[4] Poll of polls were consulted at: https://www.politico.eu/europe-poll-of-polls/italy/; https://www.politico.eu/europe-poll-of-polls/finland/; https://www.politico.eu/europe-poll-of-polls/austria/ and https://www.elelectoral.com/internacional/austria/; https://www.elelectoral.com/internacional/finlandia/; https://www.elelectoral.com/internacional/italia/. Last accessed on July 7th of 2021.

May 8, and the winner (KESK party) chose the KOK and PS parties as 'dancing partners'. On May 29, almost a month later, negotiations ended, and the three-way coalition presented its government and program.

In Austria, the election was held on October 15, 2017, when the FPÖ came to power along with the ÖVP. In this case, opinion polls were also close to the result. The negotiations in Austria officially began on October 25 but they lasted until December 18, more than 50 days, constituting the longest negotiation.

Table 1 Event Window Description and Chronology

FINLAND			***AUSTRIA***			***ITALY***		
Calendar day	***Event day***	***Description***	***Calendar day***	***Event day***	***Description***	***Calendar day***	***Event day***	***Description***
			10.19.2017	D-4	Private meeting			
			10.20.2017	D-3				
			10.23.2017	D-2	Official talks all parties	05.08.2018	D-2	Time for forming a government over
			10.24.2017	D-1		05.09.2018	D-1	Asked for extension
05.08.2015	D0	Negotiations began	10.25.2017	D0	Negotiations began	05.10.2018	D0	Negotiations began
05.11.2015 … 05.13.2015	D1 … D3		10.27.2017	D1	Eurosceptic proposals left out	05.11.2018	D1	
05.15.2015	D4	Eurosceptic proposals left out	10.30.2017 … 11.08.2017	D2 … D8		05.14.2018	D2	Preliminary agreement
05.18.2015 … 05.25.2015	D5 … D10		11.09.2017	D9	FPÖ visited Crimea	05.15.2018	D3	
05.26.2015	D11	Media expelled	11.10.2017 … 11.16.2017	D10 … D14		05.16.2018	D4	Exit from the EU proposal
05.27.2015	D12	Draft presented	11.17.2017	D15	First measures	05.17.2018	D5	
05.28.2015	D13		11.20.2017 … 12.12.2017	D16 … D31		05.18.2018	D6	Agreement
05.29.2015	D14	Agreement	12.13.2017	D32	Pact speculation			
			12.14.2017	D33				
			12.15.2017	D34	Talks final round			
			12.18.2017	D35	Agreement			

Notes: The calendar day column is the actual day, the event day column located day 0 on negotiations announcement and counts one for each trading day. These events were selected through local media: Helsingin Sanomat and Ilta-Sanomat from Finland; Die Presse and Kronen Zeitung from Austria; and La Repubblica and Il Messaggero from Italy.

Finally, the Italian election was held on March 4, 2018, and it gave us the most unexpected outcome: the M5S was expected to win but it got 33 per cent of the vote; while polls had predicted around 26 per cent, and Forza Italia was expected to lead the centre-right coalition with 17 per cent of votes, but it fell to 14 per cent; La Lega took over Forza Italia's position reaching 17.4 per cent when a 14 per cent had been predicted.

However, this was not the only uncertainty-generating event. First, the deadline for forming a government was not met, and then LN asked to exit their electoral coalition (centre-right) to negotiate with another party (M5S) for first time in Italian history. In the aftermath, negotiations between LN and M5S started on May 10, and were quickly completed on May 18.

All this constitutes a preliminary description, but for better comprehension of the different periods we have attached a table describing all three processes and the main events identified. Day zero (D0) is always allocated to when negotiations formally began, but we also identified (for Italy and Austria) previous events that could affect the market response since one could sense which parties would start negotiating.

4. Data Description

The data used in this research consists of daily stock prices, index points, SMB (Small Minus Big market capitalization) and HML (High Minus Low book-to-market ratio) risk factors for Europe, and a series of economic and financial variables at company level.

First, we used daily stock prices from Finland, Austria and Italy to compound logarithmic returns. In all three cases, we defined our sample within the interval comprising 300 business days before the election day and 100 business days after it.

However, to ensure that returns of each share were representative, the stock was required to have been trading at least 200 sessions before the elections, and to ensure that the shares were sufficiently liquid, it was required that no more than 1/4 of their daily returns be equal to zero. Applying this procedure, our final sample consisted of 73, 36 and 155 companies, respectively.

Our sample corresponds to the following periods: for Finland, February 11, 2014, until September 9, 2015; for Austria, from August 3, 2016, until March 12, 2018; and lastly, for Italy, from December 29, 2016, until July 25, 2018.

Table 2 shows the stock returns statistics. The number in n corresponds to the number of daily data and is the result of multiplying 400 sessions by the number of companies and subtracting the missing values. We can observe that Austria has the best risk-return ratio for the period. On the other hand, we can observe a singular level of kurtosis and skewness in the case of Finland, which is evidence of fat tails and especially distributed to the left. Finally, except for the minima in Italy and Finland, the quartile distribution is quite similar across the three groups. This is the sample used for the firm-level analysis.

Table 2 Daily Stock Returns Descriptive Statistics

Market/Statistic	*Finland*	*Austria*	*Italy*
n	29,127	14,364	61,845
Mean	0.0210	0.0860	0.0480
SD	1.6500	1.2900	2.0739
Min	-95.1031	-23.4073	-76.2140
Q1	-0.9336	-0.7405	-0.9434
Median	0.0000	0.0000	0.0000
Q3	0.9132	0.8886	0.9302
Max	18.9702	19.2272	35.2355
Kurtosis	182.7157	9.6200	51.5073
Asymmetry	-3.3840	-0.2648	-0.2605

Notes: Statistics multiplied by 100, except from number of observations, kurtosis and asymmetry. n results from the product of the 400 business days sample and the number of firms in each country.

In addition, we also compounded the logarithmic returns for the series of indices. These well-known indices are the OMX-H25, the ATX and the FTSE MIB, these are the benchmark indices for each market. Hereafter, we will refer to these portfolios as value weighted portfolios (VW):

$$r_{it} = \ln\left(\frac{P_{it}}{P_{it-1}}\right) \tag{1}$$

where r_{it} is the return to index i (any of the VW) on day t and P_{it} or P_{it-1} are the points of the index i on day t or t-1.

Additionally, we drew up our own equally weighted indices for each country based on the sample of companies described in Table 1, named RHEL (returns on the Helsinki Stock Exchange), RVIE (returns on the Vienna Stock Exchange) and RMIL (returns on the Milano Stock Exchange). Hereafter, equally weighted portfolios (EW):

$$r_{it} = ln\sum_{i=1}^{N}\left(\frac{P_{it}}{P_{it-1}} * \frac{1}{N}\right) \tag{2}$$

Here, r_{it} is the return to security i on day t, P_{it} or P_{it-1} are the closing prices to security i on day t or t-1, and N is 73 for Finland, 36 for Austria and 155 for Italy.

These indices (VW and EW) returns are used as dependent variable in the market analysis.

The other factors are the market premium (the index Euro Stoxx 50 minus the risk-free rate), the SMB European factor and the HML European factor. The last two were obtained thanks to the Kenneth French website[5].

[5] Available here (last accessed on July 7th of 2021): https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html

The descriptive statistics are shown in Table 3. In this case, n coincides with the number of sessions excluding the missing values. In the case of the European indices (EMP, ESMB and EHML), it should coincide with 1,200 (3 times 400), but it does not because some of the sessions in the full sample coincide for two countries. Again, we find that the risk-return ratio is higher for Austrian indices. As expected, we find few differences between indices in the same market, with the exception of the Italian case, where the FTSE MIB has a much lower mean with a higher deviation. In general, as indices, we find smaller and less polarised values, this is especially true for EMP, ESMB and EHML, which is logical as they include several European markets and cover a longer period of time.

Table 3 Daily index returns descriptive statistics

Index/ Statistic	*OH25*	*RHEL*	*ATX*	*RVIE*	*FMIB*	*RMIL*	*EMP*	*ESMB*	*EHML*
n	396	400	398	400	400	400	1,138	1,162	1,162
Mean	0.0259	0.0370	0.1193	0.0974	0.0285	0.0666	0.0118	0.0095	-0.0143
SD	1.1518	0.8553	0.8416	0.6234	0.9635	0.7689	1.1494	0.4254	0.4008
Min	-5.3687	-4.5296	-3.1838	-2.6942	-2.9925	-2.8115	-9.0110	-1.6200	-2.0600
Q1	-0.6425	-0.4083	-0.4214	-0.2527	-0.5170	-0.3102	-0.5456	-0.2200	-0.2600
Median	0.0595	0.0919	0.1385	0.1480	0.1050	0.1422	0.0412	0.0200	-0.0200
Q3	0.7314	0.5128	0.6583	0.4723	0.5624	0.4980	0.5889	0.2700	0.2000
Max	4.8900	3.1511	3.8800	2.0800	4.4500	2.2300	4.8200	1.0000	1.0000
Kurtosis	4.9500	3.3500	4.0900	5.5700	4.6500	4.8400	7.2800	4.6000	4.1200
Asymmetry	-0.2471	-0.4864	0.0994	-0.3781	0.1262	-0.5967	-0.5565	-0.0789	0.2412

Notes: Statistics multiplied by 100, except from n, kurtosis and asymmetry. OH25 is the OMX-H25, the main value weighted index of Finland. RHEL is the equally weighted index of Finland. ATX is the ATX index, the main value weighted index of Austria. RVIE is the equally weighted index of Austria. FMIB is the FTSE MIB, the main value weighted index of Italy. RMIL is the equally weighted index of Italy. EMP is the European Market Premium. ESMB is the European Small Minus Big factor. EHML is the European High Minus Low factor.

The variables used for the cross-sectional analysis have been obtained mainly from the companies' annual reports for the immediately preceding financial year. Except for the classification by industries, which was obtained from the website for the Helsinki, Vienna and Milan stock exchanges.

Size is defined as the natural logarithm of market capitalization at the end of the year ($Size_i$). The relationship between market value and book value is measured through the market-to-book ratio (MB_i). Each company is classified under one of the seven big industries: basic industry (BI_i), finance (F_i), goods and services industry (IGS_i), consumer goods and services (CGS_i), technology and telecommunications (TT_i), utilities (U_i) and health care (HC_i).

MB_i and $Size_i$ are variables we specifically like to control since they play an important role in the returns time series, as shown by Fama and French (1993), but they are also important in studies related to political risk.

The relation between market and book value may be interpreted as a *proxy* of growth options and a company with higher growth options could be more able to diversify its investments if the political situation worsens (Phillips-Patrick, 1989 or Beaulieu, Cosset & Essaddam, 2005).

Conversely, we are aware that this positive effect can be counteracted because the MB ratio may also reflect the future level of investment, and this could be slowed down if political uncertainty increases (Baker, Bloom & Davies, 2016 or Phan et al., 2018).

Likewise, there may be a direct relationship between size and political uncertainty. As shown in some recent literature (Ben Sita, 2017 or Davies & Studnicka, 2018), a big company is less likely to be affected by just one event, in a kind of 'diversification through size'.

The only drawback to this position is that big firms could be more related to a specific party through lobbying activities (Goldman, Rocholl & So, 2009), which might eventually reduce its value when a new party enters government.

Given the nature of the article, we are particularly interested in two variables: the relationship within the European Union and the amount of taxes paid.

For the former, we firstly take an approach where we try to maintain the sample as large as possible. To this end, we created a variable that is the natural logarithm of 1 plus the number of subsidiaries that the company has in EU countries (Sub_i). Alternatively, we take the percentage of revenues proceeding from the EU ($\%R_i$) but, as expected, not all companies provide this breakdown.

For the latter, we take the effective tax rate of the year ($\%ETR_i$), excluding negative taxes resulting from losses in the consolidated income statement. In an alternative measure, we employ a binary variable to capture whether the company has reduced its taxes from year to year. Thus, it is one if the last ETR is lower than the preceding one, and zero otherwise ($ETRd_i$).

This *proxy* for the relationship with the European Union needs some clarification. The number of subsidiaries and foreign revenue relate both directly and positively to the level of internationalisation. There is a vast body of literature on the effects of internationalisation during political risk episodes. Internationalisation is a means of diversification and if uncertainty is country or region-specific, an entity that is more exposed to the outside world will be more protected (Angosto-Fernández & Ferrández-Serrano, 2020; Hill, Korczak & Korczak, 2019; Oehler, Horn & Wendt, 2017).

Nevertheless, our scenario is a little more complex. Firms that are currently internationally diversified would not suffer the dramatic consequences of leaving the EU since they are currently directly operating in other EU countries. In this sense, domestic firms would be harmed since they are not operating directly in Europe now, and they would therefore suffer future restrictions if they wanted to do so.

This argument, however, has some caveats because investors could interpret that a stronger relationship with the EU implies a lower future firm value. This is hard to consider unless the incoming government were to reward domestic companies and penalise the more international ones under the premise of the 'local first' discourse.

Taking all these points into account, the expected sign of the subsidiary variables is positive since we expect the advantage of 'already being there' that this variable provides to necessarily have more weight than all the other factors.

Finally, one of the common denominators of these parties is that they had tax reduction schemes. Therefore, we expect tax reduction to be one of the variables that explains the variability of the reaction.

Descriptive statistics of all the variables used for the cross-sectional analysis are shown in Table 4. The sample size corresponds to the number of companies in the sample for each market, but there are companies that do not report some values.

Table 4 Statistics of Cross-Sectional Variables

Panel A: Finland					
Variable/Statistic	***n***	***Mean***	***SD***	***Min***	***Max***
Size	73	20.1931	1.9900	17.0247	24.3843
MB	73	2.9200	1.0000	0.3633	9.7200
Sub	72	2.1600	1.9500	0.0000	4.4000
%R	61	37.24%	21.83%	0.00%	80.93%
%ETR	64	21.80%	8.37%	0.72%	50.00%
ETRd	53	0.6038	0.4891	0.0000	1.0000
Panel B: Austria					
Variable/Statistic	***n***	***Mean***	***SD***	***Min***	***Max***
Size	36	21.1016	1.0388	19.2605	23.2046
MB	36	1.5900	0.8061	0.4774	3.1600
Sub	36	3.6600	1.1792	0.6931	5.5400
%R	33	46.22%	22.52%	6.71%	91.06%
%ETR	30	30.38%	35.59%	5.61%	219.30%
ETRd	28	0.5000	0.5000	0.0000	1.0000
Panel C: Italy					
Variable/Statistic	***n***	***Mean***	***SD***	***Min***	***Max***
Size	155	20.4759	1.9800	15.8271	24.7262
MB	155	2.2700	2.5400	0.0773	21.0783
Sub	155	1.6700	1.2700	0.0000	6.4600
%R	126	18.62%	18.54%	0.00%	69.00%
%ETR	132	30.72%	17.88%	0.04%	139.69%
ETRd	118	0.6271	0.4836	0.0000	1.0000

Notes: Size and Sub show logarithm values, market capitalization show values in millions, MB show the actual values, %R and %ETR show the relative values expressed in percentage and ETRd is a dummy.

We found larger companies with more EU business in Austria. This is especially true in the case of revenue share, where we find a much higher average, minimum and maximum than in the other markets.

However, the most highly valued companies in relation to their book size are the Italian ones, where the market value reaches values up to 20 times the book value, although they also have the highest standard deviation.

Finally, we can see how the average value of the tax variable depends mainly on the usual corporate tax rate, which is lower in Finland. In addition, we can see widely dispersed minimum and maximum values, due to the particularities of each tax system.

5. Methodology

The methodology used is based on the event study literature, and is divided into three parts: the general analysis of the three markets, the firm-level analysis and the firm-level cross-sectional study.

5.1 Multi-Country Market Methodology

To carry out the first, different models were conducted to describe the normal path of daily returns, although the same market index, the Euro Stoxx 50 index, was used as a benchmark for the three countries.

In this sense, a double strategy is used to select the appropriate model. The first one is based on the traditional market model but allows different structures (standard OLS, ARMA and GARCH processes) to describe the series of returns as well as possible, choosing the one that provides the lowest Akaike criteria. For this reason, we called it the statistical model and it is different for each country and dependent variable. All the different specifications are shown in Appendix.

The second strategy is to implement a well-developed model based on the literature and currently widely used in finance research. This is the three-factor model (Fama & French 1993):

$$r_{it} = \alpha_i + \beta_{i1} * EMP_t + \beta_{i2} * ESMB_t + \beta_{i3} * EHML_t + \sum_{j=X}^{N=Y} \delta_{ij} * D_{jt} + \varepsilon_{it} \quad (3)$$

r_{it} is the return to national index i on day *t*; α_i is the return not related to the risk factors included in the model; EMP_t is the European Market Premium; $ESMB_t$ is European Small Minus Big factor; $EHML_t$ is the European High Minus Low factor; δ_{ij} is the market abnormal return on the day of the event *j*; D_{jt} is a dummy that takes the value of one on the day of the event j and zero otherwise; and ε_{it} is the disturbance term. The estimation window is always the same and equal to 300 business days, but the event window is different depending on the duration of the negotiations. Therefore, X is 0 for Finland, -4 for Austria and -2 for Italy, while Y is 15 for Finland, 35 for Austria and 6 for Italy.

Each of the two models is used for the two dependent variables of each market (VW and EW).

The coefficient measuring the abnormal return (δ_{ij}) is equivalent to the residual of the equation on that day. Abnormal returns are a standard measure of the unanticipated impact of an event in the value of a firm or market (Kothari & Warner, 2007). Hereafter, and alternatively, we can refer to it simply as AR (Abnormal Return). In addition, the sum of coefficients of a given number of observations will be defined as CAR (Cumulative Abnormal Returns). Thus:

$$CAR_i(t_1, t_2) = \sum_{j=t_1}^{N=t_2} \delta_{ij} \tag{4}$$

where $CAR_i(t_1, t_2)$ are the Cumulative Abnormal Returns to market index *i*, from t_1, the beginning of the observation period, and t_2, the end of the respective period. These definitions (AR and CAR) are used for the statistical and 3-factor model as well as for the company-level analysis.

In Finland, the equally weighted portfolio comprises 73 companies, and the best structure for the market model was the classic OLS but with one lag for the market index (Equation A2 in Appendix). The value weighted portfolio comprises the 25 biggest companies in Finland, and the best structure was a GARCH (1, 1) process, and again a market index lag in the mean equation (Equation A10 and A11 in Appendix).

The model chosen for the equally weighted portfolio for Austria is the market model that includes one market index lag with an ARCH (1) process for the variance (Equation A4 and A5 in Appendix). For the ATX index, which includes the 20 biggest companies in Austria, the statistical model is similar, but it includes an AR (1) process for the conditional mean (Equation A6 and A7 in Appendix).

In Italy, the statistical model used for our equally weighted portfolio is a GARCH (1, 1) (Equation A8 and A9 in Appendix). In addition, the model for the FTSE MIB index includes one autocorrelation, an AR (1) process (Equation A3 in Appendix), but the GARCH coefficients for the variance (ε_{t-1} and σ_{t-1}) were found to be no different from zero.

As usual in this kind of studies, the null hypothesis to be tested is whether the selected AR or CAR is equal to 0. That is, whether the parameters of the model are able to explain the stock market reaction under analysis.

5.2 Firm-Level Methodology

The aim of deepening the analysis at the firm-level is twofold: to disentangle possible hidden effects at a general level; and to see what role certain company characteristics play in the sign and size of abnormal returns.

Thus, we run one regression for each firm covering the period described as negotiations. The model used to describe normal returns is the market model, and all regressions are estimated together with the seemingly unrelated regressions system (Zellner 1962; Karafiath, 1988). This methodology permits abnormal returns to be obtained in a single step, but more importantly, it considers the contemporaneous dependence on the disturbances, by taking into consideration one of the main problems of political events: cross-sectional correlation.

Whilst, for each firm, we have the following expression:

$$r_{it} = \alpha_i + \beta_i * r_{EUROt} + \sum_{j=X}^{N=Y} \delta_{ij} * D_{jt} + \varepsilon_{it} \quad (5)$$

where r_{it} is the return to security *i* on day *t*; α_i is the constant of the model for company *i*; β_i is the market beta for the company *i*; r_{EUROt} is the return of the Euro Stoxx 50 index on day *t*; δ_{ij} is the abnormal return of company *i* on the day of event *j*; D_{jt} is a dummy that takes the value of one on the day of event *j* and zero otherwise; and ε_{it} is the disturbance term. *X* and *Y* in the above equation have the same sense as in the previous subsection.

Given that we have a sample containing 264 firms from three EU countries, we use the Euro Stoxx 50 as the best *proxy* for the market index. The reason we do not use the local market index is because the results could be altered by the impact of the phenomenon itself on the local market, as discussed in the section on the analysis of the three markets, and since the intention is to compare the effect in the three countries, we believe that contrasting the performance of the returns with respect to the market index common to all three is the most appropriate.

The other purpose is to look for determinants in the cross-section that partly explain the variance of the abnormal returns.

To do so, we took the firms' abnormal and cumulative abnormal returns obtained before and regress them against a series of variables. The standard equation for any AR or CAR is as follows:

$$CAR_i(0, t_2) = \alpha_0 + \gamma_1 * Size_i + \gamma_2 * MB_i + \sum_{j=3}^{N=8} \gamma_j * Industry_i + \gamma_9 * \%ETR_i + \gamma_{10} * Sub_i + \mu \quad (6)$$

Where t_2 is the day of the end of the respective period, and γ_j is the load of each factor in the abnormal or cumulative abnormal return during the negotiations. μ_i is the error term. For simplicity, we only include cumulative periods starting from day zero. The variables have been defined above.

Additionally, we run two further regressions: the former substituting $\%ETR_i$ for $ETRd_i$, and the latter substituting Sub_i for $\%R_i$. Therefore, we have three equations for each sample of firms from each country, and a regression for any of the lengths chosen, which makes a total of 45 specifications.

6. Multi-Country Market Analysis

In this section we present and analyse the market reaction in the three countries. The AR and CAR chosen to appear in the tables follow a double criterion. First, the most relevant days during negotiations (described in section two) were chosen; and second, the length of time for which the accumulated returns (in absolute terms) were higher. For this reason, we can find a CAR for the model including the EW portfolio but not for the model including the VW portfolio.

Table 5 Negotiations Results

Panel A: Finland		EW (RHEL)		VW (OH25)	
		Statistic Model (MM) OLS	3F	Statistic Model (MM) GARCH (1, 1)	3F
Mean	EMP	0.5045***	0.7984***	0.7425***	0.9214***
	EMP (t-1)	0.1542***		0.0962***	
	D0	0.1721	0.0276	0.4760	0.2870
	D4	0.8696*	0.3799	1.0295***	0.7464
	D12	-0.4575	-0.1833	-0.2579	-0.1121
	D14	0.5289	0.1249	0.4309	0.2400
	CAR (0,1)	0.2167	0.2432	0.4345	0.3689
	CAR (0,4)	2.1532*	0.9752	2.4107***	1.8200
	CAR (0,8)			2.8135***	2.9800
	CAR (0,9)	2.3800	1.6400		
	CAR (0,14)	1.4600	0.6790	2.3722*	1.3700
	ESMB		1.0573***		0.6015***
	EHML		-0.1225*		-0.1714*
Variance	ω_0			0.0460**	
	ε_{t-1}			0.2479***	
	σ_{t-1}			0.6175***	
	AIC	509.6048	430.0488	567.7478	580.6591

Panel B: Austria		EW (RVIE)		VW (ATX)	
		Statistic Model (MM) ARCH (1)	3F	Statistic Model (MM) ARCH (1)	3F
Mean	EMP	0.4819***	0.5075***	0.7622***	0.7857***
	EMP (t-1)	0.1236***		0.2437***	
	D-4	-0.6894**	-0.6838*	-0.6819	-0.7581
	D0	-0.1805	-0.2233	-0.3819	-0.3973
	D1	0.2351	0.1891	0.5137	0.4989
	D9	-1.2043***	-1.2191***	-0.2014	-0.2341
	D15	-0.2767	-0.1743	-0.4019	-0.1818
	D34	0.1828	0.1184	-0.9555**	-1.1165*
	D35	1.2269***	1.1968***	2.5206***	2.6664***
	CAR (-4,15)	-2.6057**	-2.9144	-1.8296	-2.0120
	CAR (-4,28)	-3.8899**	-4.3556*		
	CAR (-4,34)			-4.4225	-4.4443
	CAR (-4,35)	-2.1945	-2.6749	-1.9019	-1.7779
	CAR (0,15)	-2.7512**	-3.0797*	-1.2139	-1.3725
	CAR (0,28)	-4.0353***	-4.5208**		
	CAR (0,34)			-3.8068	-3.7969
	CAR (0,35)	-2.3400	-2.8401	-1.2862	-1.1306
	r (t-1)			-0.1422**	
	ESMB		0.3158***		0.2927*
	EHML		0.0593		0.1096
Variance	ω_0	0.1027***		0.2276***	
	ε_{t-1}	0.2263***		0.1707**	
	AIC	356.3058	375.4321	608.3225	629.6396

Table 5 Negotiations Results Continued

Panel C: Italy		EW (RMIL)		VW (FMIB)	
		Statistic Model (MM) GARCH (1, 1)	3F	Statistic Model (MM) OLS	3F
Mean	EMP	0.7550***	0.9943***	1.0448***	1.0798***
	D-2	-1.0163**	-0.8925**	-1.4309***	-1.2098**
	D0	-0.6961*	-0.3584	-1.0060*	-0.9891**
	D2	0.0180	0.1618	0.2039	0.3459
	D4	-1.9630***	-1.7939***	-2.3486***	-1.8937***
	D6	-1.4482***	-1.3359***	-1.0009*	-0.7262
	CAR (-2,2)	-1.0170	-0.5102	-1.5358	-1.5307
	CAR (-2,6)	-5.8496***	-4.8423***	-5.1944***	-4.3357***
	CAR (0,2)	-0.2281	0.1176	-0.2061	-0.3279
	CAR (0,6)	-5.0607***	-4.2144***	-3.8657***	-3.1330**
	ESMB		0.9961***		0.2896**
	EHML		0.1276*		0.6514***
	r (t-1)			-0.1972***	
Variance	ω_0	0.0147			
	ε_{t-1}	0.0357			
	σ_{t-1}	0.8940***			
	AIC	488.1804	406.1910	540.1134	488.1279

Notes: EW means Equally Weighted portfolio and can be either RHEL, RVIE or RMIL, depending on the market. VW means Value Weighted portfolio and can be either OH25, ATX or FMIB, depending on the market. MM means that the statistic model is based on the traditional Market Model. 3F means 3-factor model. r (t-1) is the coefficient for the first autocorrelation. The omega sub-zero is long run variance, εt-1 is the lagged square of the residuals of the conditional mean equation and σt-1 is the lagged square of the variance. AIC is the Akaike criteria. All coefficients except 3 factors coefficients are multiplied by 100. ***, ** and * are the level of significance at 1%, 5% and 10% respectively.

In the analysis by days (Table 5), the first day is not relevant in Finland or Austria, suggesting that no new information was released. Nevertheless, four days before day zero, there was a negative and significant reaction in Austria in two out of four models, coinciding with the private meeting that was leaked to the press.

The end of this negotiating process is positive in Austria and Finland, although only relevant in the former. In Austria the effect of the end of uncertainty is economically huge.

In contrast, although the end of negotiations in Italy is big, it is negative reaching -1.45 per cent in one of the models and significant in three out of the four models. Apparently, formation of the government did not reassure investors.

For the rest of the days, we must highlight the strong market reaction to EU-related news. In Italy, the most negative and largest returns are associated with D4, the day when a roadmap contemplating exit from the EU was leaked. In the same way, two out of four models identify D9 as very negative and significant in Austria. That day two important members of FPÖ visited the self-proclaimed Republic of Crimea, which was interpreted as a direct attack on EU authority. In Finland, there are positive results on the day they announced that negotiations would not call the Union into question.

The following is an outline of CAR according to country. After the beginning of negotiations in Italy, CAR show a negative path, and they reach their maximum at the end of the process (around -5 per cent, depending on the model). This suggests that either new information was being released and market participants were acting, or the Italian market was showing inefficiency. We believe that throughout the negotiation process new information was constantly being released, so they needed time to find quality information.

Austria and Finland do not show such a marked progression. Austria follows the Italian pattern, particularly at the beginning. When talks began, the reaction was not positive, but in the middle of the process this pattern broke, and when the negotiations ended there was a clear positive reaction. This reverse in returns may be the result of distancing from anti-European positions and the desire to end uncertainty after more than two months of negotiations.

The case is more entangled for Finland because from day zero the reaction is positive. It is true that from D3 or D4 the Eurosceptic proposals were put aside, and it is also the only *pre-Brexit* case which could have led to an unrealistic assessment of a withdrawal process from the EU.

7. The Far-Right at Firm Level:

7.1 Firm-Level Analysis

First, we briefly comment on the most relevant aspects of the reaction at the company level, compared to the aggregate reaction in the markets. Tables regarding firm-level abnormal returns statistics are included in Appendix. These tables are directly comparable with those regarding the general market analysis, but they report more detailed information.

In the case of Finland, the individual coefficients show that D4 is no longer different from zero at firm level; however, there are a lot of positive signs (around three out of four) and significant individual firm coefficients (the second largest being almost 11 per cent). On the other hand, D14 is positive and jointly significant.

In Austria, D-4 is no longer significant. The rest of AR and CAR supports the previous information.

In Italy, all coefficients and the sum of coefficients are statistically different from zero. D4 and D6 are both economically and statistically relevant, and both show a huge amount of negative cases (88 and 81 per cent) and individually significant coefficients (34 and 25 per cent), which it is hard to assume is a product of chance.

In general, the most remarkable fact of the individual analysis is that the cross-sectional dispersion is now observable and sizable, and it is large on several days and in all three countries. At the end of the process, the range reaches 24.86 per cent in Finland, 60.47 per cent in Austria and 48.84 per cent in Italy.

These results do not suffer any relevant variations when the sample is changed (180 and 90 sessions) and when the European volatility index (VSTOXX)[6] is introduced to control for market volatility. These results are available on demand.

7.2 Cross-Sectional Analysis

To better understand the following results, it is necessary to highlight what could be expected. Variables are expected to be sign consistent and statistically and

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[6] Available here: https://www.stoxx.com/index-details?symbol=V2TX (Last accessed: 04/28/2020)

economically different from zero. Second, if a determinant is significant at D0 but ceases to be so in all other periods, it could be a symptom of efficiency. Third, if the significance is intermittent it could be a random walk, but it could also be a product of new information release. Finally, if it is constantly significant it could be a market inefficiency signal, but since these observations are coalition government negotiations, it would not be uncommon for investors to receive new information about the deals daily.

All tables here have the finance sector (F_i) included in the constant and have the same order of variables. In the case of Austria, there were no tech, telecom or health-care companies in the sample.

As table 6 shows, in the case of Finland, the r-square decreases during the process, explaining 25.18 per cent of the variation at most, while in Italy and Austria, it shows relatively low values, reaching its maximum on the fourth day with a value of 15.88 per cent for the former, and CAR (0, 15) with a value of 34.55 per cent for the latter.

The market value of the company is relevant and negative during the first day in Finland, while in Italy this is so on day four as well, which leads to a significant CAR (0,4). During the first day, the Finnish median company obtained -0.45 per cent compared to a company belonging to the first quartile if we order by size (hereafter, Q1 company). In contrast, for CAR (0, 4), the Italian median firm lost -0.61 per cent compared to the Q1 company. Therefore, it seems that the stock market reaction during the negotiations was worsened by the size of the company.

The market-to-book ratio has significant and positive results during D0 in Finland. For that day, the median obtains a premium of 0.19 per cent against the Q1. We find a similar pattern in Italy, where it is significant and positive on day four, but it is economically irrelevant.

Conversely, in the Austrian market there is no evidence that size or MB ratio affected abnormal returns during the talks. Although the sign of both variables is positive, stable and of considerable economic size, the standard deviation over the whole process is too large.

With the exception of Austrian companies, it seems that the negotiation process hurt bigger companies but benefitted those with a higher relation between their size and their book value.

In Austria, the most relevant result is the relative level of taxes paid. It is positive and significant from day zero of the accumulation period up to the fifteenth day. This consistent result breaks for Finland and Italy. Considering that all three parties planned to reduce taxes, it seems that the reaction to the possible change was strongest in the Austrian market. This may indicate asymmetries in the credibility that investors in different markets gave to the proposals.

Subsidiaries have a positive and growing role in Italy and Finland, which is constantly rising in the former but has an inverted U shape in the latter, reaching a maximum in CAR (0,4). At its maximum, a Finnish median company gains a premium of 0.54% compared with a Q1 company. In contrast, this premium is about 0.64 per cent in Italy, where this variable shows the strongest performance and latency.

Table 6 Cross-Sectional Results

Panel A: Finland

n=63	*D0*	*CAR (0,1)*	*CAR (0,4)*	*CAR (0,9)*	*CAR (0,14)*
const	7.4023* (3.9349)	6.3550 (4.3587)	4.7468 (5.3699)	4.1396 (9.1370)	-3.3153 (11.4554)
Size	-0.3547* (0.1986)	-0.2577 (0.2201)	-0.1230 (0.2655)	-0.0526 (0.4667)	0.2961 (0.5837)
MB	0.2820* (0.1530)	0.1464 (0.1690)	0.2143 (0.2315)	-0.3083 (0.2448)	-0.1665 (0.4528)
%ETR	-0.2222 (1.5243)	-3.3173 (3.0412)	-6.8861 (4.1914)	-8.5934 (5.1561)	-15.8101*** (5.7880)
Sub	0.3668* (0.2007)	0.5744** (0.2492)	0.6980** (0.3192)	0.5156 (0.6088)	0.1657 (0.6958)
BI	0.2301 (0.7808)	-1.1134 (1.0004)	-0.0974 (1.2086)	3.2076 (2.0150)	4.1930 (2.5805)
IGS	-1.6124*** (0.5781)	-1.6989** (0.7408)	-1.0459 (1.0905)	0.4711 (1.8917)	1.7191 (2.7301)
CGS	-1.8830*** (0.5764)	-1.1537 (0.9136)	-1.2970 (1.2204)	-1.9044 (1.9933)	0.7505 (2.7530)
TT	-2.1867** (0.8872)	-2.7727*** (0.9522)	-1.8906 (1.1531)	3.3164 (2.7115)	6.7965* (3.4816)
U	-0.6250 (0.4745)	-1.7648** (0.7474)	-3.4793*** (0.8523)	-2.4839 (1.5454)	-1.9123 (2.7619)
HC	-3.1521*** (1.1247)	-2.7026** (1.2729)	-2.488 (1.8016)	2.4941 (2.2677)	3.3541 (3.7542)
R2	0.2518	0.2390	0.2287	0.2342	0.2340

Panel B: Austria

n=30	*D-4*	*D0*	*CAR (0,15)*	*CAR (0,28)*	*CAR (0,35)*
const	1.5015 (5.1547)	-4.2891 (4.0906)	-51.1975** (23.4308)	-47.2109 (34.7014)	-35.0813 (33.6992)
Size	-0.1589 (0.2295)	0.2164 (0.2018)	2.0229 (1.2049)	1.5931 (1.8304)	1.4958 (1.7576)
MB	0.3519 (0.477)	0.2859 (0.3012)	0.1469 (1.8266)	3.6805 (2.5192)	3.0416 (2.6627)
%ETR	0.5262 (0.4254)	0.7114*** (0.2403)	5.7798*** (1.5502)	3.1730 (2.2346)	3.5571 (2.2755)
Sub	0.1940 (0.3364)	-0.1873 (0.1837)	1.3732 (1.1428)	1.5221 (1.7595)	-0.2318 (1.7689)
BI	-0.2645 (0.657)	-0.4424 (0.4905)	-6.7208** (2.6109)	-7.2047* (3.6594)	-6.8060* (3.6547)
IGS	-0.0556 (0.9288)	-1.1979* (0.5794)	-4.3039 (4.1391)	-8.4608 (5.7208)	-11.7448* (6.1126)
CGS	-0.7569 (0.8129)	0.0558 (0.6304)	-1.0899 (4.7979)	-3.1634 (5.8694)	-6.3319 (6.8436)
U	1.0534** (0.4555)	-0.8796 (0.9329)	2.7915 (4.6931)	5.3956 (5.8068)	2.2303 (5.852)
R2	0.1151	0.2135	0.3455	0.2298	0.1883

Table 6 Cross-Sectional Results Continued

			Panel C: Italy		
n=132	***D0***	***D4***	***CAR (0,2)***	***CAR (0,4)***	***CAR (0,6)***
const	4.8556*** (1.6514)	2.0862 (1.8459)	4.2798 (3.9091)	3.8301 (4.8393)	-0.7788 (5.4134)
Size	-0.2702*** (0.0805)	-0.2680*** (0.0869)	-0.2663 (0.1847)	-0.3970* (0.2283)	-0.4083 (0.2551)
MB	0.0527 (0.0526)	0.1283*** (0.0449)	-0.0444 (0.0927)	0.0170 (0.1384)	0.1914 (0.1459)
%ETR	-0.6731 (0.8571)	0.0457 (0.8208)	-0.4990 (1.6213)	-0.3606 (1.5344)	1.8470 (2.0150)
Sub	0.2601** (0.1038)	0.2201** (0.1068)	0.4184** (0.1926)	0.4614* (0.2458)	0.9162*** (0.3104)
BI	-3.114*** (0.8210)	-1.2081 (0.9614)	-1.7791* (0.9441)	-3.0443** (1.2014)	-0.8580 (2.6748)
IGS	0.0252 (0.4379)	1.1217** (0.4364)	0.4680 (0.8512)	0.8116 (1.0566)	1.0401 (1.2383)
CGS	-0.4821 (0.3986)	0.5701 (0.4814)	0.9452 (0.9400)	0.9637 (1.2749)	1.8423 (1.3252)
TT	0.1210 (0.4915)	0.0740 (0.8051)	1.2688 (1.0666)	0.2690 (1.6926)	1.0409 (2.4390)
U	-0.9303** (0.3566)	0.6899 (0.4684)	0.8737 (0.8662)	0.6978 (1.0709)	2.0008* (1.0367)
HC	0.1980 (0.5983)	1.1071 (0.7435)	2.0923** (0.9554)	2.7762* (1.5233)	5.8623*** (1.9817)
R2	0.1333	0.1588	0.0727	0.0653	0.1208

Notes: Coefficients multiplied by 100. Standard deviations between brackets. R2 is R-square. ***, **, * mean if it is significant at 1%, 5% or 10%, respectively.

This means that companies more closely related to the EU withstood the negotiations better than those more domestic. The absence of a significant effect on the Austrian market could be due to the degree of internationalisation of Austrian companies: none of them are purely domestic and they have much higher average values than their counterparts.

According to sectors, the bad performance of all industries (except for utilities and consumer goods in Austria) is considerable compared to the finance sector, until CAR (0,4) in Finland, and in all lengths in Austria. In Italy, it is only true for basic industry, whilst the positive and increasing premium of the healthcare sector is noteworthy.

In general, it is notable that most sectors are associated with negative values, indicating a generalised negative reaction across industries. Consequently, it appears that the financial industry was more robust to this process, as for most intervals and markets it is associated with higher abnormal returns.

The following table introduce the variable $ETRd_i$ instead of $\%ETR_i$. This change led to a reduction in the sample for all cases.

Table 7 Cross-Sectional Results Using ETRd

Panel A: Finland

n=52	***D0***	***CAR (0,1)***	***CAR (0,4)***	***CAR (0,9)***	***CAR (0,14)***
const	4.9701 (3.1381)	3.1109 (3.9552)	-2.5249 (4.9755)	-2.5442 (10.1399)	-11.5241 (13.2743)
Size	-0.2148 (0.1582)	-0.1131 (0.1892)	0.1435 (0.2367)	0.2294 (0.5160)	0.5785 (0.6604)
MB	0.2413 (0.1522)	0.0524 (0.1579)	0.0913 (0.2451)	-0.3322 (0.2341)	-0.1848 (0.5228)
ETRd	-0.2842 (0.3750)	0.0295 (0.4578)	0.7661 (0.6922)	-0.0649 (1.1404)	0.2723 (1.4439)
Sub	0.2976 (0.2120)	0.4743* (0.2524)	0.3327 (0.3387)	0.2187 (0.7238)	-0.1389 (0.8348)
BI	-0.7698* (0.4044)	-2.1512** (1.0219)	-0.6294 (0.9772)	1.2043 (1.9540)	2.0758 (2.8342)
IGS	-1.6402** (0.6272)	-1.6525** (0.7981)	-0.0779 (1.1934)	0.2693 (2.2170)	1.2135 (3.2832)
CGS	-1.8257*** (0.6236)	-0.8304 (1.1392)	0.4740 (1.5948)	-1.0198 (2.5496)	1.6093 (3.6012)
TT	-2.1792** (0.9036)	-2.6199** (1.0567)	-0.6182 (1.3571)	2.3441 (3.0423)	5.2215 (3.8455)
U	-0.9980* (0.5755)	-1.8277* (0.9167)	-2.2254* (1.1710)	-2.3573 (1.9875)	-1.3906 (2.8158)
HC	-2.9593** (1.1551)	-2.1452 (1.3317)	-0.6717 (1.8874)	2.7920 (2.6387)	3.5904 (4.5944)
R2	0.1379	0.2402	0.1746	0.0969	0.1062

Panel B: Austria

n=28	***D-4***	***D0***	***CAR (0,15)***	***CAR (0,28)***	***CAR (0,35)***
const	-1.2922 (3.4803)	-1.4674 (3.5468)	-40.8141* (19.6591)	-42.3915* (30.0119)	-36.1540 (31.7129)
Size	-0.1095 (0.1807)	0.1828 (0.1854)	2.0174* (1.0699)	1.7883 (1.6298)	1.6828 (1.6782)
MB	0.6656* (0.3188)	-0.1924 (0.2779)	-2.4553 (1.6843)	1.4517 (2.4152)	2.0851 (2.5398)
ETRd	-0.4386 (0.4962)	-0.7195** (0.2837)	-4.2822* (2.2394)	-4.6847* (2.7076)	-3.8107 (3.1500)
Sub	0.6731*** (0.2221)	-0.3814** (0.1783)	0.4909 (1.4238)	0.7707 (2.1654)	0.1300 (2.0308)
BI	-0.6507 (0.6750)	-0.5577 (0.4710)	-6.2478** (2.5376)	-7.1929** (3.4274)	-7.3907* (3.5724)
IGS	-0.4793 (0.7534)	-0.9125* (0.4757)	-1.3876 (3.6841)	-6.6468 (5.0735)	-11.0940* (5.4240)
CGS	-0.8462 (0.6895)	-0.0047 (0.6787)	0.0157 (4.4473)	-2.1758 (5.3652)	-5.7873 (6.2048)
U	1.1812** (0.5004)	-1.4178* (0.7158)	0.8625 (3.3036)	3.6142 (4.3366)	1.2952 (4.7560)
R2	0.3067	0.2920	0.2806	0.1912	0.1939

Table 7 Cross-Sectional Results Using ETRd Continued

			Panel C: Italy		
n=118	***D0***	***D4***	***CAR (0,2)***	***CAR (0,4)***	***CAR (0,6)***
const	4.5952** (1.8398)	0.7334 (1.8282)	3.9686 (4.2467)	1.2407 (5.023)	-2.8573 (5.5706)
Size	-0.2883*** (0.0914)	-0.2006** (0.0883)	-0.3148 (0.2066)	-0.3445 (0.2397)	-0.3255 (0.2670)
MB	0.0560 (0.0543)	0.1040** (0.0437)	-0.0379 (0.0895)	0.0072 (0.1315)	0.1008 (0.1459)
ETRd	0.6735** (0.3187)	-0.0101 (0.3738)	1.3920** (0.5858)	1.5339** (0.6958)	2.0285* (1.0919)
Sub	0.2693** (0.1074)	0.2256* (0.1180)	0.5249** (0.2116)	0.5793** (0.2613)	1.0670*** (0.3413)
BI	-2.9312*** (0.6742)	-1.1141 (0.9905)	-1.0970 (0.8924)	-1.9632* (1.1386)	0.4617 (2.2243)
IGS	0.1444 (0.4396)	1.0690** (0.4610)	0.1445 (0.8259)	0.4912 (0.9786)	-0.1090 (1.3517)
CGS	-0.5082 (0.4175)	0.7526 (0.4733)	0.9418 (0.9072)	1.1279 (1.1814)	1.4967 (1.2803)
TT	0.0751 (0.5472)	0.2048 (0.9064)	1.3508 (1.1721)	0.5346 (1.6632)	0.5062 (2.5270)
U	-1.3380*** (0.3953)	0.4940 (0.5523)	0.6326 (0.9429)	0.1448 (1.1018)	0.1876 (1.1987)
HC	0.1076 (0.5666)	1.1545 (0.7542)	1.9151** (0.9365)	2.7172* (1.4631)	5.1819** (2.2904)
R2	0.1905	0.1481	0.1491	0.1248	0.1621

Notes: Coefficients multiplied by 100. Standard deviations between brackets. R2 is R-square. ***, **, * mean if it is significant at 1%, 5% or 10%, respectively.

The number of subsidiaries is the only variable that remains significant for Finland, apart from industries, although only in CAR (0,1). However, Italian subsidiaries present a clearer path and bigger coefficients at the end of the process, that means that companies having more subsidiaries in Europe accumulated higher abnormal returns during the negotiations.

Similarly, the variable for Austria is relevant in D-4 and D0 but not sign consistent. This suggests a change in expectations for these days, which may be related to proposals regarding the EU.

Austria is the most surprising case, not only because of the variable for the number of subsidiaries, but because MB is now positive and significant as well. However, this corresponds only to D-4. Compared to the previous table, this suggests that the influence of MB on abnormal performance in Austria is sample dependent.

In terms of industries, we can see how the negative signs are maintained in comparison with the financial industry, especially at the beginning of the process. However, it is also remarkable that there is some reversal at the end of the process (although not statistically significant), at least in Finland and Italy. Once again, the HC industry in Italy is the most notable exception, as it confirms the previous results and is positioned as the industry most positively influenced by the process.

Finally, the evidence for the new variable is controversial. It is not relevant for Finland, positive and increasing for Italy (excluding D4) and negative and decreasing for Austria (excluding the last length). The result in Austria seems consistent with previous results, as it suggests that companies that had been increasing their taxes reacted better to this process.

The last specification uses the percentage of EU revenues to replace the subsidiary variables. Despite the reduction in the sample, it is the most explicative model for Finnish firms and reaches its maximum at the end of the period (37.91 per cent).

Particularly in Finland, the MB ratio is positive and gains significance until CAR (0,4), but it maintains a disordered path, while size loses significance, although it maintains the sign, so it can be intuited that the intensity of its influence depends on the sample. Both variables are largely unchanged in the other two markets, with the exception of size which is now significant and large in Austria in the CAR (0, 15).

Table 8 Cross-Sectional Results Using %R

Panel A: Finland

n=53	***D0***	***CAR (0,1)***	***CAR (0,4)***	***CAR (0,9)***	***CAR (0,14)***
const	4.1968 (3.0251)	0.5442 (3.5385)	-0.5717 (4.2033)	0.7820 (6.0268)	-4.9337 (6.6354)
Size	-0.2013 (0.1475)	0.0172 (0.1598)	0.1082 (0.2016)	-0.0214 (0.3135)	0.1142 (0.3575)
MB	0.4629*** (0.1502)	0.3054* (0.1519)	0.5597** (0.2727)	0.2087 (0.4224)	1.0396 (0.6262)
%ETR	-1.1235 (1.9696)	-5.7336 (3.5292)	-10.4945** (4.8943)	-9.6795 (7.5652)	-19.7586** (7.5920)
%R	1.8150* (1.0550)	2.7029** (1.0979)	3.9861** (1.7888)	5.9838 (3.6158)	8.9986*** (3.1627)
BI	0.4654 (0.7822)	-0.2445 (1.0660)	0.9313 (1.2133)	3.9960** (1.6964)	4.4256** (1.8628)
IGS	-1.3424*** (0.3739)	-0.6525 (0.7706)	0.4174 (0.9617)	2.0196 (1.5705)	3.9540* (2.0122)
CGS	-1.2082*** (0.3604)	0.5842 (0.9041)	0.9704 (1.0355)	0.6066 (1.5243)	4.0479** (1.8093)
TT	-2.3025*** (0.7809)	-2.1518** (0.9731)	-1.5699 (1.1132)	2.5507 (2.2995)	4.6633* (2.5464)
U	-0.8155** (0.3629)	-1.6408** (0.6821)	-2.5230*** (0.8844)	-0.5713 (1.5391)	3.4148* (1.9421)
HC	-4.1822*** (1.0587)	-3.1362** (1.2588)	-3.9526* (2.0015)	-0.0103 (2.9295)	-2.9945 (3.8750)
R2	0.3146	0.3352	0.3379	0.2741	0.3791

Table 8 Cross-Sectional Results Using %R Continued

Panel B: Austria

n=28	***D-4***	***D0***	***CAR (0,15)***	***CAR (0,28)***	***CAR (0,35)***
const	-0.3346 (6.4786)	0.7180 (4.7654)	-46.7385 (27.5818)	-30.8737 (37.8666)	-13.6508 (34.2823)
Size	-0.0308 (0.2770)	-0.0284 (0.2175)	2.2753* (1.2625)	1.5629 (1.7380)	0.9238 (1.6020)
MB	0.4136 (0.5119)	0.1815 (0.3157)	-0.3883 (1.8273)	2.0902 (2.7421)	1.2705 (2.6728)
%ETR	0.6282 (0.4367)	0.6394*** (0.2001)	6.4774*** (1.7915)	4.3608* (2.3791)	4.5873* (2.4434)
%R	0.0130 (1.2580)	-1.3968 (0.9831)	-5.9702 (7.1808)	-13.6487 (8.6240)	-15.2098 (9.8720)
BI	-0.5669 (0.7799)	0.0371 (0.504)	-7.3348** (3.0742)	-7.2858 (4.4908)	-6.0023 (4.0592)
IGS	-0.4775 (1.0533)	-0.8624 (0.616)	-6.6092 (4.3704)	-11.1662* (5.5916)	-12.4730** (5.6706)
CGS	-0.5581 (0.9803)	0.1820 (0.6359)	-1.0502 (5.3329)	-3.8321 (5.7978)	-6.3149 (6.7858)
U	0.6547 (0.3827)	-0.5094 (0.8124)	0.0271 (4.5890)	1.1939 (5.1283)	-0.3160 (5.2033)
R2	0.0873	0.2484	0.3386	0.2862	0.2742

Panel C: Italy

n=108	***D0***	***D4***	***CAR (0,2)***	***CAR (0,4)***	***CAR (0,6)***
const	3.1822* (1.7165)	1.1793 (1.8926)	4.4025 (2.8721)	4.9669 (3.9245)	-4.8023 (5.4113)
Size	-0.1618** (0.0777)	-0.2025** (0.0846)	-0.2041 (0.1308)	-0.3958** (0.1769)	-0.1635 (0.2373)
MB	-0.0133 (0.0560)	0.1044* (0.0534)	-0.0078 (0.0824)	0.0776 (0.1177)	0.1275 (0.1602)
%ETR	-1.4840 (0.9990)	-0.4852 (0.7370)	-0.7999 (1.6181)	0.6833 (1.7107)	3.6588* (2.1257)
%R	1.7067* (0.9156)	0.3477 (0.8021)	1.8538 (1.7305)	2.4595 (2.0088)	2.9118 (2.5315)
BI	-1.9055*** (0.6230)	0.2861 (0.6478)	-3.1569*** (1.1066)	-5.9255*** (1.3705)	-5.9176*** (1.6490)
IGS	0.0375 (0.4552)	1.1098** (0.5049)	-0.4910 (0.7683)	-0.3423 (1.0334)	0.7640 (1.3883)
CGS	-0.2131 (0.5003)	0.7819 (0.5898)	0.2918 (0.8938)	-0.0125 (1.3015)	2.1145 (1.5816)
TT	-0.5486 (0.5505)	1.0137* (0.5553)	0.3394 (0.7873)	0.8843 (1.8836)	4.8441** (1.8453)
U	-0.8278** (0.3952)	1.0059** (0.5032)	-0.0777 (0.8028)	-0.1832 (1.0429)	1.7875 (1.0845)
HC	0.4682 (0.7665)	1.8769*** (0.7006)	1.2648 (1.0321)	2.3655* (1.3698)	7.8129*** (1.214)
R2	0.1204	0.1595	0.0576	0.0791	0.1411

Notes: Coefficients multiplied by 100. Standard deviations between brackets. R2 is R-square. ***, **, * mean if it is significant at 1%, 5% or 10%, respectively.

Although Austria and Italy have opposite signs, the tax variable also maintains its structure and increases its significance in both countries. A substantial change occurred in Italy, because it is now significant in the last of the lengths and in line with the Austrian case, but the path it is not sign consistent. Therefore, we can robustly assert that the level of taxes paid positively affected the abnormal returns of Austrian firms, and we might more weakly suggest that this was also the case for Italian firms, albeit to a more limited extent and only at the end of the process.

Additionally, the new variable confirms the sign and path of the previous one for Finland and Italy, but in Italy it is only significant during the first day. In Austria it is negative and of major economic significance. However, its standard deviation is also large, so that this variable does not seem to influence the abnormal returns of Austrian firms in a homogeneous way.

With respect to Italy and Austria, it is also remarkable that industry fixed effects are now bigger and more informative. The overall negative sign remains and in particular, the goods and services industry in Austria is well below the financial and other industries. Additionally, healthcare intensifies and confirms the previous results in Italy.

Finally, the reversal effect, discussed above, becomes somewhat relevant in Finland, where we can observe a generalised change of sign, where industries have a negative effect on abnormal returns with respect to the financial industry, but only at the beginning, to end up being positive and significant. This may suggest an initial overreaction, or a reassessment of the effect of negotiations on industries.

8. Conclusions

This research is the first to link stock markets and the extreme right. In addition, it is developed in a unique environment: during the negotiation process that led three of these parties to enter the governments of Finland, Austria and Italy.

At aggregate level, markets responded efficiently to most of the events that took place, as they reacted to suddenly disclosed information and the associated significant abnormal returns do not last beyond the same day. The best examples of this are the negative and significant reaction found on the days when euro-sceptic postulates became more tangible or the bad reaction of the Italian market to several key events during the negotiation process.

At firm level, there was a large dispersion of the returns. Among the determinants of these differences, we find partial evidence of the negative contribution of size and the positive contribution of the book to market value ratio.

Likewise, there are also significant differences between industries, a generalised negative cross-industry effect compared to the financial industry and a robust positive reaction of the health sector in Italy.

However, it is only in the case of Austria that higher taxes are related to positive returns, suggesting that such proposals have no credibility in other markets.

Finally, we find evidence for a positive correlation between a stronger relationship with the EU and higher returns. It seems that the market rewarded the companies that were already operating in the union as opposed to the more domestic ones.

In spite of this, the limited explanatory ability of the models is also to be noted. It is possible that the proposed models ignore relevant variables, but this difference is such that it could be related to the investor's idiosyncratic reaction to the arrival of the extreme right.

The different results summarised here lead us to believe that a large part of the market's reaction to the far right can be seen as a reaction to a possible European Union deterioration.

We hope that this research will not only contribute to the field of finance and help investors, but also to the field of economic policy and to public institutions, which could benefit from knowing more about this relationship between finance and the far right.

APPENDIX

1. Model Specifications for Stock Market Returns

Traditional market model OLS:

$$r_{it} = \alpha_i + \beta_i * EMP_t + \sum_{j=X}^{N=Y} \delta_{ij} * D_{jt} + \varepsilon_{it} \tag{A1}$$

Market model based different specifications explained in section 5:
Market model OLS with one EMP lag:

$$r_{it} = \alpha_i + \beta_{i1} * EMP_t + \beta_{i2} * EMP_{t-1} + \sum_{j=X'}^{N=Y} \delta_{ij} * D_{jt} + \varepsilon_{it} \tag{A2}$$

Market model AR (1):

$$r_{it} = \alpha_{i0} + \alpha_{i1} * r_{it-1} + \beta_{i1} * EMP_t + \beta_{i2} * EMP_{t-1} + \sum_{j=X}^{N=Y} \delta_{ij} * D_{jt} + \varepsilon_{it} \tag{A3}$$

Market model ARCH (1) with one EMP lag:
Conditional mean equation:

$$r_{it} = \alpha_i + \beta_{i1} * EMP_t + \beta_{i2} * EMP_{t-1} + \sum_{j=X}^{N=Y} \delta_{ij} * D_{jt} + \varepsilon_{it} \tag{A4}$$

Conditional variance equation:

$$\sigma_{it}^2 = \omega_i + \mathbf{\Omega}_i * \varepsilon_{it-1}^2 \tag{A5}$$

Market model AR (1) ARCH (1) with one EMP lag:
Conditional mean equation:

$$r_{it} = \alpha_{i0} + \alpha_{i1} * r_{it-1} + \beta_{i1} * EMP_t + \beta_{i2} * EMP_{t-1} + \sum_{j=X}^{N=Y} \delta_{ij} * D_{jt} + \varepsilon_{it} \tag{A6}$$

Conditional variance equation:

$$\sigma_{it}^2 = \omega_i + \mathbf{\Omega}_i * \varepsilon_{it-1}^2 \tag{A7}$$

Market model GARCH (1, 1):
Conditional mean equation:

$$r_{it} = \alpha_i + \beta_i * EMP_t + \sum_{j=X}^{N=Y} \delta_{ij} * D_{jt} + \varepsilon_{it} \tag{A8}$$

Conditional variance equation:

$$\sigma_{it}^2 = \omega_i + \mathbf{\Omega}_{i1} * \varepsilon_{it-1}^2 + \mathbf{\Omega}_{i2} * \sigma_{it-1}^2 \tag{A9}$$

Market model GARCH (1, 1) with one EMP lag:
Conditional mean equation:

$$r_{it} = \alpha_i + \beta_{i1} * EMP_t + \beta_{i2} * EMP_{t-1} + \sum_{j=X}^{N=Y} \delta_{ij} * D_{jt} + \varepsilon_{it} \tag{A10}$$

Conditional variance equation:

$$\sigma_{it}^2 = \omega_i + \mathbf{\Omega}_{i1} * \varepsilon_{it-1}^2 + \mathbf{\Omega}_{i2} * \sigma_{it-1}^2 \tag{A11}$$

In the returns' equations, r_{it} is the return to market index i on day t, and X and Y depend on the beginning and the duration of the event.
In the variance's equations, σ_{it}^2 is the conditional variance of market returns, ω_i is the long-run variance, ε_{it-1}^2 is the lagged conditional mean equation error term and its corresponding coefficient, and σ_{it-1}^2 is the lagged conditional variance and its corresponding coefficient.
The rest of coefficients and variables have been developed above.

2. Firm-Level Abnormal Returns Statistics

Table A1 Negotiations Abnormal Returns Statistics for Finland

	Mean	*SD*	*Min*	*Q1*	*Median*	*Q3*	*Max*	*Range*	*# Negative*	*% Negative*	*# Significant*	*% Total*	*F-test*
D0	0,1984	1,5891	-4,9654	-0,6733	0,2345	0,8920	6,9787	11,9441	31	42,47 %	5	6,85%	0,9873
D1	0,3919	1,4053	-2,9511	-0,4595	0,3119	1,2432	6,4775	9,4287	31	42,47 %	2	2,74%	1,0367
D2	-0,3945	1,2476	-2,7916	-1,0250	-0,4453	0,1569	5,4337	8,2253	50	68,49 %	3	4,11%	0,7276
D3	1,0164	1,5392	-1,9096	0,1779	0,7099	1,3646	7,9275	9,8370	11	**15,07 %**	7	9,59%	0,9472
D4	0,8187	1,1838	-1,8300	0,0403	0,5414	1,5694	4,7410	6,5710	17	**23,29 %**	8	10,96%	0,7041
D5	-0,5602	1,3709	-7,2078	-1,1334	-0,4437	0,0536	2,8776	10,0853	53	72,60 %	3	4,11%	0,6876
D6	0,0474	2,7314	-4,5818	-1,3145	-0,2652	0,9060	16,9898	21,5716	42	57,53 %	7	9,59%	2,7100***
D7	0,3995	1,2363	-2,0969	-0,2828	0,0945	0,7742	5,1971	7,2941	33	45,21 %	4	5,48%	0,8496
D8	0,4398	1,3626	-1,5779	-0,5074	0,1659	0,9270	6,3234	7,9013	34	46,58 %	3	4,11%	0,7692
D9	0,1584	1,2264	-3,6706	-0,4525	0,0130	0,8414	3,0897	6,7603	35	47,95 %	2	2,74%	0,6832
D10	-0,4542	1,0677	-2,8249	-1,1859	-0,4479	0,1252	3,0875	5,9124	49	67,12 %	1	1,37%	0,7512
D11	-0,0152	1,3108	-4,1963	-0,6336	-0,0273	0,7331	3,1389	7,3351	37	50,68 %	4	5,48%	0,8696
D12	-0,5958	1,2959	-4,6106	-1,2605	-0,5590	0,0572	2,2313	6,8419	54	73,97 %	3	4,11%	0,9136
D13	-0,1208	1,0962	-3,0414	-0,7445	0,0519	0,3783	3,3450	6,3865	35	47,95 %	3	4,11%	0,5442
D14	0,2934	1,7456	-4,0888	-0,5210	0,2540	1,1233	6,8232	10,9120	28	38,36 %	10	13,70%	1,2706*

Table A1 Negotiations Abnormal Returns Statistics for Finland Continued

	Mean	*SD*	*Min*	*Q1*	*Median*	*Q3*	*Max*	*Range*	*# Negative*	*% Negative*	*F-test*
CAR (0,1)	0,5902	1,9181	-6,6043	-0,5532	0,3486	1,4587	6,6258	13,2301	29	39,73 %	0,7665
CAR (0,2)	0,1958	2,3438	-6,1786	-0,9708	0,0278	1,1406	7,8826	14,0612	36	49,32 %	0,7643
CAR (0,3)	1,2122	2,1132	-3,6702	-0,0814	0,8138	1,9867	8,1821	11,8524	19	26,03 %	0,5187
CAR (0,4)	2,0309	2,3909	-2,2949	0,5121	1,5727	3,3594	9,7516	12,0465	15	**20,55 %**	0,5514
CAR (0,5)	1,4707	2,4966	-3,7669	-0,1754	1,1944	2,9576	9,4070	13,1739	21	28,77 %	0,5393
CAR (0,6)	1,5181	3,2461	-5,2998	-0,6307	1,3377	3,0546	15,4755	20,7753	24	32,88 %	0,6591
CAR (0,7)	1,9176	3,4497	-4,6621	-0,1984	1,1551	4,5903	15,3903	20,0524	22	30,14 %	0,5608
CAR (0,8)	2,3573	3,8726	-4,5869	-0,2062	1,5061	4,1387	14,8324	19,4193	22	30,14 %	0,6371
CAR (0,9)	2,5157	4,0379	-4,7102	-0,2119	1,8658	4,6405	14,1263	18,8365	19	26,03 %	0,6465
CAR (0,10)	2,0615	3,8864	-5,5866	-0,3971	1,5377	3,9303	14,2879	19,8746	21	28,77 %	0,5857
CAR (0,11)	2,0463	4,2152	-5,8763	-0,7357	1,7641	4,1851	14,4693	20,3456	28	38,36 %	0,6458
CAR (0,12)	1,4505	4,5392	-7,1242	-1,3998	0,9196	3,9023	13,0816	20,2059	29	39,73 %	0,7183
CAR (0,13)	1,3297	4,6279	-7,9348	-1,5269	0,8647	3,4942	14,9781	22,9129	31	42,47 %	0,6736
CAR (0,14)	1,6231	4,9891	-8,3554	-2,0745	1,1082	4,0312	16,5034	24,8588	31	42,47 %	0,7282

Notes: Negotiations in Finland covered from 5.8.2015 to 5.29.2015. Statistics from "Mean" to "Range" are multiplied by 100. "#" means the number of individual cases. Significant means that the individual coefficient is significant at standard levels (1%, 5% or 10%). Percentages in bold when the number of negative (or positive) cases exceeds 75%. The F-test for linear restrictions tests if all the individual coefficients could be jointly equal to 0 and ***, **, * mean if it is significant at 1%, 5% or 10%, respectively.

Table A2 Negotiations Abnormal Returns Statistics for Austria

	Mean	*SD*	*Min*	*Q1*	*Median*	*Q3*	*Max*	*Range*	*# Negative*	*% Negative*	*# Significant*	*% Total*	*F-Test*
D-4	-0,6432	1,2816	-3,1827	-1,5551	-0,6638	0,2766	1,9738	5,1566	24	66,67 %	2	5,56%	1,1698
D-3	0,2487	1,2485	-2,5921	-0,2895	0,1357	0,9087	3,7703	6,3624	15	41,67 %	4	11,11%	1,0268
D-2	0,0978	1,7000	-3,4009	-0,8847	-0,1767	0,7468	5,4051	8,8061	22	61,11 %	3	8,33%	1,4428**
D-1	0,4329	1,3189	-1,4178	-0,2804	0,2384	0,8374	5,2536	6,6714	12	33,33 %	1	2,78%	1,0893
D0	-0,1684	1,2972	-2,5823	-1,0060	-0,2300	0,3042	3,6869	6,2693	20	55,56 %	3	8,33%	1,2304
D1	0,1425	1,5308	-2,4926	-1,0627	0,1990	1,2643	3,1281	5,6207	16	44,44 %	3	8,33%	1,6846***
D2	-0,2667	1,1439	-2,8281	-0,8313	-0,2947	0,3778	2,5057	5,3338	25	69,44 %	2	5,56%	0,7361
D3	-0,1315	0,9319	-2,6905	-0,6849	-0,0268	0,3615	1,6255	4,3160	20	55,56 %	0	0,00%	0,4682
D4	0,9279	1,9875	-3,6961	-0,2119	0,4374	1,7676	6,5406	10,2367	13	36,11 %	8	22,22%	2,7881***
D5	-0,1386	1,8137	-5,4616	-0,9207	0,0212	1,0138	3,0776	8,5393	18	50,00 %	6	16,67%	2,1673***
D6	0,2441	1,5214	-2,8976	-0,3834	0,1485	1,0172	4,7833	7,6809	16	44,44 %	6	16,67%	1,3783*
D7	-0,0219	1,9801	-8,5779	-0,5732	0,2185	0,9491	3,1221	11,7000	16	44,44 %	5	13,89%	2,4265***
D8	-0,4399	2,0531	-5,5693	-1,0875	-0,1987	0,4898	5,3551	10,9244	19	52,78 %	9	**25,00%**	2,4736***
D9	-1,2108	1,9499	-6,7592	-1,7905	-0,7513	0,0085	1,6676	8,4268	27	**75,00 %**	7	19,44%	2,9124***
D10	0,1542	1,3557	-3,7779	-0,6433	-0,0152	0,9430	3,4411	7,2190	19	52,78 %	4	11,11%	1,0735
D11	-0,1249	1,5883	-2,6576	-1,0871	-0,0563	0,6254	3,1788	5,8364	19	52,78 %	7	19,44%	1,3761*
D12	-0,2760	1,9638	-5,2119	-1,0568	-0,2191	0,5287	4,2748	9,4868	21	58,33 %	9	**25,00%**	2,9434***
D13	-1,0580	2,0312	-6,1074	-2,1546	-1,0554	-0,0470	4,6933	10,8007	27	**75,00 %**	12	**33,33%**	2,7875***
D14	-0,6123	4,4963	-23,9292	-1,1623	-0,1917	0,9933	5,1843	29,1135	20	55,56 %	10	**27,78%**	7,5996***
D15	-0,2114	1,7507	-5,2870	-1,2347	-0,1868	0,6532	3,8613	9,1483	19	52,78 %	8	22,22%	1,8538***
D16	0,0269	1,4488	-3,1445	-0,6127	-0,3596	0,4792	4,0359	7,1804	22	61,11 %	5	13,89%	1,3776*
D17	0,4782	1,6316	-3,5147	-0,3347	0,4129	1,2172	3,8701	7,3848	11	30,56 %	7	19,44%	1,8098***
D18	0,2979	1,9189	-2,8505	-0,8580	0,3407	0,9021	7,6555	10,5060	13	36,11 %	7	19,44%	2,3083***
D19	-1,0025	1,7142	-7,7046	-1,4040	-0,8311	-0,2665	2,5455	10,2501	29	80,56 %	5	13,89%	1,9379***
D20	0,7128	1,6973	-2,1867	-0,2708	0,4939	1,6634	5,7983	7,9850	11	30,56 %	6	16,67%	1,6427***
D21	-0,3189	1,0557	-1,8668	-0,9623	-0,5041	0,1173	3,2463	5,1132	25	69,44 %	2	5,56%	0,8735
D22	0,1028	1,2121	-2,2514	-0,6946	-0,1094	1,0125	3,1234	5,3748	20	55,56 %	1	2,78%	1,0773

Table A2 Negotiations Abnormal Returns Statistics for Austria Continued

	Mean	*SD*	*Min*	*Q1*	*Median*	*Q3*	*Max*	*Range*	*# Negative*	*% Negative*	*# Significant*	*% Total*	*F-Test*
D23	0,0584	1,5915	-2,6449	-0,9409	-0,1383	0,9207	3,3767	6,0216	20	55,56 %	8	22,22%	1,8542***
D24	0,2785	1,8949	-4,0724	-0,7876	0,1314	1,1329	5,4936	9,5660	18	50,00 %	10	27,78%	2,7249***
D25	-0,1018	1,5345	-3,9220	-1,1416	-0,1827	0,7957	4,6092	8,5312	19	52,78 %	5	13,89%	2,1041***
D26	-0,1005	1,7137	-3,9407	-1,0001	-0,1366	1,0705	2,9225	6,8632	19	52,78 %	7	19,44%	1,8067***
D27	-1,0411	1,6707	-6,4881	-1,7547	-0,9616	-0,0482	1,3981	7,8862	28	**77,78 %**	3	8,33%	1,8067***
D28	-0,7506	1,5497	-5,0444	-1,3349	-0,8348	0,4652	2,1813	7,2257	24	66,67 %	8	22,22%	1,6864***
D29	0,5638	1,6237	-1,9306	-0,5822	0,5010	1,3237	4,7891	6,7197	13	36,11 %	5	13,89%	1,5645**
D30	0,4178	1,4464	-2,8783	-0,4419	0,0785	1,4187	3,6775	6,5558	18	50,00 %	6	16,67%	1,3163*
D31	-0,1622	1,9607	-3,3616	-1,3487	-0,1895	0,5939	6,9230	10,2846	20	55,56 %	7	19,44%	2,1493***
D32	-0,6108	1,3559	-4,6441	-1,3409	-0,7288	-0,0486	3,3828	8,0269	27	**75,00 %**	2	5,56%	1,1885
D33	0,0139	2,3365	-11,7945	-0,6221	-0,0047	1,0345	4,1235	15,9180	18	50,00 %	2	5,56%	3,6197***
D34	0,0781	2,0350	-4,8243	-0,7632	-0,1133	1,0338	5,0500	9,8743	20	55,56 %	6	16,67%	2,2210***
D35	1,2004	2,2155	-2,5787	0,0273	0,9029	2,2705	7,2294	9,8081	9	**25,00 %**	16	**44,44%**	3,4060***
CAR (-4,0)	-0,0323	3,6456	-4,8024	-2,3761	-0,6588	0,9331	14,2918	19,0943	20	55,56 %			1,3884*
CAR (-4,15)	-3,0556	8,1762	-25,1876	-6,0169	-2,9114	0,8712	16,9328	42,1205	25	69,44 %			1,8118***
CAR (-4,28)	-4,4153	10,1292	-38,1575	-7,6958	-3,7473	0,5165	17,9527	56,1103	26	72,22 %			1,6030**
CAR (-4,34)	-4,1148	11,2767	-38,9538	-8,3915	-5,4386	0,2000	25,6033	64,5571	26	72,22 %			1,6724***
CAR (-4,35)	-2,9144	11,8259	-37,9977	-5,9788	-4,7510	0,2189	29,8565	67,8543	26	72,22 %			1,7603***
CAR (0,15)	-3,1917	7,3052	-21,6296	-5,5680	-2,5925	1,2306	10,4687	32,0983	24	66,67 %			1,8682***
CAR (0,28)	-4,5515	9,3131	-34,5995	-7,6507	-3,4135	-0,0413	12,6293	47,2288	27	**75,00 %**			1,6896***
CAR (0,34)	-4,2509	10,0205	-35,3958	-7,2041	-4,5745	-0,0083	21,7813	57,1771	27	**75,00 %**			1,7858***
CAR (0,35)	-3,0505	10,4625	-34,4397	-5,7946	-3,2594	0,4360	26,0346	60,4743	27	**75,00 %**			1,9310***

Notes: Negotiations in Austria covered from 10.19.2017 (10.25.2017) to 12.18.2017. Statistics from "Mean" to "Range" are multiplied by 100. "#" means the number of individual cases. Significant means that the individual coefficient is significant at standard levels (1%, 5% or 10%). Percentages in bold when the number of negative (or positive) cases exceeds 75% or individually there are more than 25% of significant coefficients. The F-test for linear restrictions tests if all the individual coefficients could be jointly equal to 0 and ***, **, * mean if it is significant at 1%, 5% or 10%, respectively.

Table A3 Negotiations Abnormal Returns Statistics for Italy

	Mean	*SD*	*Min*	*Q1*	*Median*	*Q3*	*Max*	*Range*	*# Negative*	*% Negative*	*# Significant*	*% Total*	*F-test*
D-2	-1,0003	1,7637	-9,8318	-1,9118	-0,9993	0,0602	5,9400	15,7718	114	73,55 %	25	16,13%	2,2820***
D-1	0,2166	1,9803	-4,8272	-0,8072	0,0285	0,8601	14,2172	19,0444	75	48,39 %	12	7,74%	2,7330***
D0	-0,6909	1,8997	-5,2231	-1,8542	-0,7084	0,1205	8,7548	13,9779	110	70,97 %	28	18,06%	2,9703***
D1	0,4614	1,8506	-3,6037	-0,3918	0,2966	1,1694	9,1779	12,7816	60	38,71 %	13	8,39%	2,9766***
D2	0,0262	1,7370	-6,6075	-0,9676	0,0168	0,9723	6,7852	13,3927	76	49,03 %	14	9,03%	2,0663***
D3	-0,6786	1,9716	-7,7564	-1,6841	-0,5733	0,3472	7,3999	15,1563	102	65,81 %	21	13,55%	3,1858***
D4	-1,9614	2,1873	-8,5922	-3,1748	-1,9594	-0,9135	11,8310	20,4232	136	87,74 %	52	33,55%	4,1189***
D5	-0,7724	2,2335	-14,9386	-1,5290	-0,4688	0,2602	5,7193	20,6579	101	65,16 %	19	12,26%	3,3150***
D6	-1,4207	1,9300	-7,4438	-2,6619	-1,0786	-0,2005	4,7017	12,1456	125	80,65 %	38	24,52%	2,5250***
CAR (-2,0)	-1,4745	3,2473	-10,1025	-3,2877	-1,4750	-0,0256	10,5631	20,6656	116	74,84 %			2,8028***
CAR (-2,2)	-0,9869	4,0772	-13,1545	-3,2002	-1,0906	0,8413	12,1696	25,3240	98	63,23 %			2,4146***
CAR (-2,4)	-3,6268	5,4942	-18,9625	-7,0066	-3,8446	-1,1453	20,8724	39,8348	125	80,65 %			3,8828***
CAR (-2,6)	-5,8200	6,4961	-30,0517	-9,9875	-5,8945	-1,7949	18,7889	48,8405	131	84,52 %			4,1644***
CAR (0,2)	-0,2032	3,0187	-8,7370	-2,0101	-0,3398	1,0405	11,9795	20,7165	85	54,84 %			2,2060***
CAR (0,4)	-2,8432	4,3294	-14,0416	-5,4925	-2,7213	-0,8545	15,2815	29,3231	129	83,23 %			3,0932***
CAR (0,6)	-5,0363	5,7114	-29,2069	-8,2074	-4,7396	-1,8434	13,1980	42,4048	132	85,16 %			3,6603***

Notes: Negotiations in Italy covered from 5.8.2018 (5.10.2018) to 5.18.2018. Statistics from "Mean" to "Range" are multiplied by 100. "#" means the number of individual cases. Significant means that the individual coefficient is significant at standard levels (1%, 5% or 10%). Percentages in bold when the number of negative (or positive) cases exceeds 75% or individually there are more than 25% of significant coefficients. The F-test for linear restrictions tests if all the individual coefficients could be jointly equal to 0 and ***, **, * mean if it is significant at 1%, 5% or 10%, respectively.

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