



The stock market performance of the central banks of Belgium and Japan

Lawrence G. Goldberg^{a,*}, Rezaul Kabir^{b,c}

^a*Finance Department, University of Miami, P.O. Box 248094, Coral Gables, FL 33124, USA*

^b*Department of Finance, University of Tilburg, P.O. Box 90153, 5000 LE Tilburg, The Netherlands*

^c*University of Antwerp, Belgium*

Received in revised form 23 April 2001; accepted 19 July 2001

Abstract

Most central banks issue stock that is held by the government and/or commercial banks and is not tradable. In contrast, stocks of the central banks of Belgium and Japan are traded on the Brussels and Tokyo stock exchanges. The purpose of the paper is to examine this unique phenomenon of stock market valuation of central banks. Our analysis shows that shares of these two central banks have performed poorly. We also investigate the factors affecting central bank stock returns and find that the stock market return is the only statistically significant determinant. Neither the assets held by the central bank nor the country's macroeconomic factors show strong and stable relationships with central bank stock returns. An event study using recent data from Japan shows that the effect of certain macroeconomic events on the value of the Bank of Japan stock is statistically insignificant. © 2002 Elsevier Science Inc. All rights reserved.

JEL classification: E58; G20; N20

Keywords: Central bank; Stock market; Valuation; Performance

1. Introduction

Most central banks issue stock that is held by the government and/or commercial banks and is not tradable. In contrast, the stock of the central banks of Belgium (the National Bank

* Corresponding author. Tel.: +1-305-284-1869; fax: +1-305-284-4800.

E-mail address: lgoldberg@miami.edu (L.G. Goldberg).

of Belgium, hereafter called NBB) and of Japan (the Bank of Japan, hereafter called BOJ) are traded on the Brussels and Tokyo stock exchanges, respectively. The Belgian government holds half of the Belgian central bank's stock while private and institutional investors hold the other half. Since the BOJ was modeled on the NBB, the Japanese government holds more than half of the Bank of Japan stock and the rest is also distributed among individuals, financial and other institutions.

Even though investors have been buying the central bank shares for decades, they have no influence on the policies of either central bank. The non-governmental shareholders have almost no rights that typically exist in all other public limited corporations. Why do investors regularly buy or sell central bank stocks? Do they receive adequate returns? Why is some of the stock of central banks traded in the open market? What affects the value of this stock and how is this related to the rationale for the public trading of a central bank's stock? These are some questions that we attempt to address in this paper in order to obtain a better understanding of central banks.

The remainder of the paper is organized as follows. The next section briefly discusses the history and the organization of the central banks of Belgium and Japan. The third section presents the hypotheses and the fourth section describes the data. The fifth section presents empirical evidence on the performance of central bank stocks. Section six investigates the factors affecting the changes in value of central bank stocks. The section also reports the results from an event study examining the stock market reaction of Japanese central bank shares to macroeconomic announcements. Conclusions are drawn in the final section.

2. History and organization

2.1. *The central bank of Belgium*¹

Until the early 19th century, one influential company, *Société Générale*, controlled the whole credit system in Belgium. With the establishment of the independent state of Belgium in 1830, this private company received certain rights, and its relationship with the State had the appearance of that of central bank of a country. In order to diminish the role of *Société Générale*, a new private bank, the Bank of Belgium, was created in 1835. The Belgian government transferred the function as cashier of the treasury from *Société Générale* to the Bank of Belgium. The financial crises during the 1830s and 1840s weakened the institutions and reduced the confidence of the general public in both of these two institutions.

This led the government to establish the National Bank of Belgium in May 1850 as a public limited company. Interestingly, private individuals, firms and utilities, but not the government subscribed to the shares of the Bank and trading of the shares of the NBB took place from the beginning.² Although bank notes issued by *Société Générale* and Bank of Belgium had legal tender status at that time, those issued by the NBB became legal tender only in 1873.

The management of the Bank is in the hands of the Governor and the Board of Directors. The Governor is appointed, suspended and dismissed by the King (in practice, by the government). Although appointed by the King, the governor and the directors are expected

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات