

Summary

Flemisch, Marcus, Hackethal, Andreas, and Schiereck, Dirk

“Market Makers Cloud-Covered – Weather Effects in the German Stock Market”

It is known from the literature on the psychology of modes of behavior in stock markets that – besides other parameters – moods and emotions as personal influencing factors affect yield expectations and the risk-awareness of market participants. The constructs that may influence moods include the weather as well. Studies of the US market show that the yields recorded by the New York Stock Exchange correlate in a negative sense with the population density. By way of explanation, mention has been made of market makers' bid/offer spread fixing behaviour for which systematic correlations with the weather have been observed. So far, no studies have hitherto been made of the influence of the weather on the bid/offer spread fixing behaviour of market makers in the German capital market. There are plans to close this knowledge gap insofar as stocks are concerned listed by the German electronic trading system Xetra, for each of which just one designated sponsor acts as a market maker. It has turned out in this context that a systematic weather effect is to be observed in Germany as well, though with a surprising operating sign.