

# **Integration of the Finnish Stock Market to Swedish and US Stock Markets**

**Teppo Martikainen, Ilkka Virtanen and Paavo Yli-Olli**

## **Abstract**

This paper investigates the level of integration of the Finnish stock markets to Swedish and U.S. stock markets using an internationally extended market model for Finnish stocks. The return of a given Finnish asset is assumed to be dependent on the returns of Finnish, Swedish and US stock markets. Several Finnish stocks have significant Swedish risk components, while the interrelationship between Finnish and US markets is significantly lower. The cross-sectional variation of the estimated systematic risk components of this model, which results largely from industry differences across firms, is also investigated.

**(Economic Systems Research Vol. 5 (1993) No. 4, 409-417)**