How does the Eurozone crisis affect securities portfolios?

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ABSTRACT

We investigate if the Eurozone crisis affected the composition of security portfolios of households and non-financial firms. Using a unique dataset for all securities holdings by German investors, we exploit plausibly exogenous variation in the exposure to securities issued by stressed Eurozone economies in Greece, Ireland, Italy, Portugal, and Spain, to offer the first comparison of how these two types of investors respond to the European sovereign debt crisis. Difference-in-differences tests show that households, unlike non-financial firms, rebalance their portfolios by moving from bonds to stocks and from securities issued by financial institutions to securities issued by non-financials.