

**Stock Exchange Mergers and Risk Diversification? The Case of  
NASDAQ and OMX**

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**Abstract**

**Abstract Purpose** – This study aims to investigate the impact of stock exchange mergers on indices co-movement and international portfolio management. The long run cointegration and causal relations between a group Nordic and Baltic stock Exchanges (Sweden, Finland, Estonia, Latvia and Lithuania) that composed the OMX and NASDAQ stock exchange are tested.

**Design/methodology/approach** – The author uses cointegration tests, linear and non-linear causality tests to investigate the relationship between these indexes during 2003 to 2012

**Findings** – we find that the integration of Nordic and Baltic stock markets increased due to the merger. Based on the linear and nonlinear causality test, the results show that the NASDAQ index has a stronger predictive power on OMX indexes after the merger.

**Originality/value** – This paper is the first to examine the impact of the Nordic and Baltic stock Exchanges with NASDAQ, investigating if these stock exchange mergers increase the integrations of stock markets.

**Keywords** Stock exchange mergers, cointegration, Nordic and Baltic stock Exchanges