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EU VIEWS AND HOUSEHOLD INVESTMENTS: EVIDENCE FROM THE BREXIT REFERENDUM

by Michele Cascarano*, Laura Sigalotti** and Francesco Stradi***

Abstract

This study investigates how Euroscepticism affected the portfolio choices of Italian retail investors following the Brexit referendum. Using granular investment data, we show that residents of Eurosceptic provinces significantly increased their allocations to UK securities after Brexit (relative to residents of pro-European provinces), suggesting that Eurosceptic investors perceived Brexit as a positive event for UK prospects. Robustness checks show that the results are not driven by potential demographic, geographic, or economic confounders, nor by banks' advice or broader geographic portfolio rebalancing. Our findings highlight how polarization in political beliefs, when coupled with pivotal geopolitical events, can influence international investment decisions.

JEL Classification: D14, G11, G41.

Keywords: behavioral finance, investments, euroscepticism, household finance, geopolitics.

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1 Introduction¹

This paper investigates how ideological polarization influences household investment behavior during major political events with geopolitical relevance. Focusing on Italian retail investors, we examine whether their views on the European Union—specifically Euroscepticism—affected their portfolio choices in response to the Brexit referendum. While existing research often focuses on the effects of domestic political preferences and events on domestic financial decisions, less is known about the financial impact of political beliefs in a cross-border context. Furthermore, there is limited evidence on ideologies that, like Euroscepticism, fall beyond the traditional left–right spectrum. Our paper addresses these gaps by using the Brexit vote as an exogenous shock to analyze how attitudes toward a supranational institution—the European Union—influence household investment behavior.

We posit that individuals interpret the financial consequences of impactful events such as Brexit based on different models of the world, shaped by their stance on the EU. For Eurosceptic investors, we posit that Brexit is seen as a positive event for UK financial prospects. We base this hypothesis on survey evidence showing that leave voters in the 2016 UK Brexit referendum substantially increased their expectations for the stock market (the percentage of leave voters who believed the stock market would be better off financially within a year rose by 25 percentage points after the referendum outcome) (e.g., [Huberman et al., 2018](#)), as well

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as on previous studies documenting that individuals tend to raise their expectations when their preferred party comes to power (e.g., [Bonaparte et al., 2017](#); [Meeuwis et al., 2022](#)).

Analyzing this research question by focusing on Italian investors is ideal for the following reasons. First, the Brexit referendum affected another country, making it unlikely that Brexit had a significant direct and differential economic impact on Italian Eurosceptic individuals compared to non-Eurosceptic ones. Hence, this ensures that any differences in investment behavior we observe are driven by differences in beliefs about the event rather than other factors. Second, the most recent elections in Italy before the Brexit referendum—the 2014 European elections—were, according to political scientists, the first in the country’s history to be particularly focused on EU issues (e.g., [Morini, 2017](#); [Conti et al., 2020](#)), with some parties placing particular emphasis on their pro-EU or anti-EU positions (e.g., [Conti et al., 2020](#)). This makes analyzing Italian investors and their behavior toward UK securities, depending on their level of Euroscepticism, an effective way to address potential identification issues that might arise when conducting the same analysis in a different country.

Using data on investments by Italian households – specifically, security-level data at the provincial level from Italian banks acting as custodians for retail investors (e.g., [Coletta and Santioni, 2016](#); [Cascarano et al., 2025](#)) – we find that investors residing in more Eurosceptic areas increase their investments in UK assets relative to other assets compared to investors in less Eurosceptic areas after the Brexit referendum. The richness of the dataset allows us to employ several granular fixed effects in our regressions, controlling for time-varying variability at level of province, security, and bank where households hold their securities.

Our main identifying assumption is that, in the absence of the Brexit referendum outcome, the UK holdings of likely Eurosceptic and non-Eurosceptic investors would have followed similar paths (parallel trends). An analysis of the dynamics of our findings reveals that the relative increase in investments in UK securities by Eurosceptic investors is absent before the Brexit referendum and only emerges following its outcome.

To further validate our findings, we perform several robustness checks and additional analyses. We assess the robustness of our findings by considering alternative ways to classify the provinces as Eurosceptic. The key results remain robust, with the coefficient of interest consistently positive and statistically significant. To further investigate how polarization affects investment behaviors during divisive political events with geopolitical relevance, we examine investment behavior among voters supporting strongly pro-European parties. By substituting Eurosceptic with Pro-EU in our regressions, we find no significant effects, indicating that our results are primarily driven by Eurosceptic investors becoming more optimistic about UK prospects, rather than by pro-European investors becoming pessimistic. This result suggests that there is an asymmetry in the investment reaction depending on political beliefs. Notably, the correlation between the Euroscepticism and pro-EU proxies, although negative and significant, does not preclude overlap, as both Eurosceptic and strongly pro-European parties gained substantial support in certain provinces.

We also disaggregate UK securities into categories—UK Stocks, UK Government Bonds, UK Corporate Bonds, and UK Mutual Funds. Our results show that, after the Brexit referendum, Eurosceptic investors increase their holdings in UK stocks, corporate bonds, and mutual funds, but not in UK government bonds, suggesting that the optimism due to Brexit fosters an increase in riskier investments. These results are aligned with those of [Bonaparte et al. \(2017\)](#) and [Meeuwis et al. \(2022\)](#), who find that individuals increased their share of risky assets when the parties with which they identify take power.

To ensure specificity to UK securities, we explore whether our observed effects extend to other geographical areas. Replacing UK with securities from Italy, the EU, or non-EU regions in our triple-interaction regressions yields no significant effects. This indicates that our findings are not attributable to broader geographic portfolio rebalancing.

Finally, we address concerns that our Euroscepticism variable might proxy for demographic, geographic, or economic characteristics—such as education, age, urbanicity, income,

gender composition, connectedness to the UK, or banks’ advice—which may be related to both investors’ sophistication, Euroscepticism, and financial behavior. Even when accounting for these factors, our key coefficient remains positive and significant. Collectively, these robustness checks reinforce our conclusion that Euroscepticism shapes investors’ beliefs about Brexit, playing an important role in driving optimism toward UK securities investments after the referendum outcome.

This paper makes contributions to both the Brexit literature (e.g., [Sampson, 2017](#); [Pisani and Vergara Caffarelli, 2018](#); [Cappariello et al., 2018](#); [Campos, 2019](#); [Berg et al., 2021](#); [Campello et al., 2022](#); [Dhingra and Sampson, 2022](#); [Hassan et al., 2024](#); [Kren and Lawless, 2024](#); [Costa et al., 2024](#); [Graziano et al., 2024](#); [Do et al., 2025](#)) and the broader fields of behavioral finance and political economy by examining how Euroscepticism influences investment behavior in the context of a major political shock with geopolitical relevance.

While much of the existing Brexit research has centered on macroeconomic impacts and the behavior of UK markets, banks and firms, this study shifts attention to the behavioral responses of foreign retail investors by investigating how attitudes toward European Institutions shape Italian households’ perceptions of UK financial markets following the Brexit referendum. Within the Brexit literature, [Huberman et al. \(2018\)](#) find that leave voters became more optimistic about UK stock market performance after the referendum, while [Carvalho and Schmitz \(2024\)](#) show that euro area investors increased their holdings of UK securities post-Brexit. Building on these findings, this paper is the first to show that views on the European Union influence the extent to which foreign investors adjust their portfolios toward UK assets. We show that, following the Brexit vote, Eurosceptic investors increase their allocation to UK securities more than non-Eurosceptic investors. This adds an important new dimension to the literature, emphasizing the role of supranational political beliefs in shaping investment decisions.

Our findings are also related to the literature on geopolitical risk and investment behav-

ior. Prior work shows that geopolitical shocks affect firm-level decisions (e.g., [Caldara and Iacoviello, 2022](#); [Wang et al., 2024](#)) and influence portfolio choices (e.g., [Egger and Zhu, 2020](#); [Verdictt, 2020](#); [Cai et al., 2024](#); [Adriaan Boermans et al., 2024](#)). We contribute a belief-based perspective by documenting how ideological priors shape individual investors’ responses to political events with geopolitical relevance, such as Brexit. This lens complements explanations based on macroeconomic uncertainty or direct exposure.

More broadly, this research contributes to the behavioral finance literature on political polarization and investment decisions (e.g., [Kempf and Tsoutsoura, 2024](#)) by extending the analysis of polarized beliefs beyond domestic contexts. Previous work (e.g., [Bonaparte et al., 2017](#); [Meeuwis et al., 2022](#)) has shown how political affiliations influence portfolio choices, often within the framework of national political cycles. Moreover, political alignment with the domestic government has been shown to affect households’ optimism about economic conditions (e.g., [Mian et al., 2023](#)). It has also been found to influence more sophisticated individuals in high-stakes environments, such as U.S. credit analysts ([Kempf and Tsoutsoura, 2021](#)), loan officers ([Dagostino et al., 2023](#)), and professional money managers (e.g., [Wintoki and Xi, 2020](#); [Cassidy and Vorsatz, 2024](#)). Although most previous research has focused on a domestic context, [Kempf et al. \(2023\)](#) provide an exception by presenting evidence from two settings—syndicated corporate loans and equity mutual funds—demonstrating that ideological alignment with foreign governments influences cross-border capital allocation by large, U.S.-based institutional investors. Their primary empirical approach analyzes changes in capital allocation by investors with different party affiliations from the same home country who invest in the same destination country around the same foreign national election. The study measures ideological distance to foreign governments using the left–right ideology score. The key finding is that institutional investors allocate more capital to a foreign country when they are more ideologically aligned with its government. We differentiate our study from the previous literature in several ways. By focusing on Euroscepticism—a position not confined

to the traditional left-right spectrum—this paper provides novel evidence of how polarized beliefs tied to supranational institutions impact cross-border investments. Using granular data on Italian household investments, we provide evidence that polarized beliefs influence not only domestic investment behavior among retail investors but also their perceptions of international opportunities and risks.

2 Data

2.1 Data sources

We compile a detailed dataset on financial investments (e.g., bonds, stocks, mutual funds, etc.) owned by households in Italy and managed under the custodianship of banks or other financial institutions. The dataset is created using the Bank of Italy’s supervisory data, which is a key statistical resource providing detailed insights into securities owned by Italian households (Coletta and Santioni, 2016; Cascarano et al., 2025). This supervisory data also forms the basis for the Italian Securities Holdings Statistics (SHS), maintained by the European System of Central Banks (ESCB).

Banks submit to the Bank of Italy the aggregate value of each security, identified by its ISIN, held by households residing in different Italian provinces. Our dataset captures the total value of each security, identified at the ISIN level, owned by households in a particular province and held by banks that operate at least one branch within that province. As a result, the data on the total value of a specific security held by households through a particular bank in a specific province is organized at the ISIN-bank-province-year level.

The data include all securities held by Italian households through financial intermediaries supervised by the Bank of Italy, which remains the dominant channel for retail investment in the country. These intermediaries comprise both traditional banks—where clients can invest either through in-branch financial advisors or independently via the bank’s online investment platforms—and fully digital intermediaries. Even when households invest au-

tonomously through online services (e.g., via a bank’s online investment platform), their portfolios are still recorded under the reporting bank. The same applies to digital intermediaries: portfolios are linked to the institution responsible for custodianship and classified based on the residence of the household. While we cannot observe assets held entirely outside the supervised financial system (e.g., through some foreign brokers not supervised by the Bank of Italy), these cases are unlikely to introduce meaningful bias. The broad geographic and institutional coverage of the data, together with its administrative nature, make the dataset well suited to studying Italian households’ financial behavior.

We enrich the supervisory data with additional information for each security, including the issuer’s country, currency, type (e.g., government bond, corporate bond, stock, mutual fund), and, where applicable, the maturity date, all at the ISIN level. The dataset spans the period from 2012 to 2018.

In our period of analysis, to approximate Euroscepticism in Italian provinces, we employ the same method used in [Biancotti et al. \(2017\)](#) and [Borin et al. \(2021\)](#). To classify a party as anti-EU, [Borin et al. \(2021\)](#) examine the party’s stance on the EU as reported in the Chapel Hill Expert Survey (CHES). The CHES is a widely used and longstanding tool for measuring party positions on key political and economic dimensions ([Bakker et al., 2015](#); [Jolly et al., 2022](#)). [Borin et al. \(2021\)](#) assess the overall score of a party on European integration and defines as anti-EU those parties that either oppose or strongly oppose it (score equal to or below 2 on a 1–7 scale, where 1 indicates strong opposition). We then approximate the Euroscepticism of each province by examining the electoral support for Eurosceptic parties in the 2014 European Elections, based on their positions on the EU as identified by the Chapel Hill Expert Survey (CHES) in 2014. This approach is justified because, as argued by political scientists (e.g. [Morini, 2017](#); [Conti et al., 2020](#)), the 2014 elections in Italy were the first European elections in the country’s history to focus on EU issues, characterized by distinctly pro- or anti-EU views. They were also the most recent elections in Italy before

the Brexit referendum. We retrieve the election outcomes in each province from official administrative sources.² Figure 1 shows the distribution of Eurosceptic votes across Italy.

As part of additional analyses aimed at addressing alternative explanations for our findings, we retrieve data on the sociodemographic and socioeconomic characteristics of the province from the Italian National Institute of Statistics (Istat), the primary provider of official statistics in Italy, focusing on the period preceding the 2014 EU elections.

2.2 Descriptive statistics

Our sample contains 13,428,966 ISIN-bank-province-year observations. Table A1 in the appendix provides the descriptive statistics of all the main variables used in the subsequent sections, while Table A2 presents their definitions. Additionally, Table A3 summarizes the province-level proxies employed in our analysis. Of the observations in our sample, 1.4% (193,799 observations) are related to UK securities, 42.6% to Italian securities, 35.21% to EU securities (excluding Italy), and 20.74% to non-EU securities (excluding the UK). Approximately 44.82% of UK securities are mutual funds (representing 0.64% of our total observations), while 27.61% are stocks, 24.09% are other types of bonds, and 3.48% are government bonds.

Similar to the findings of Carvalho and Schmitz (2024), an ECB study that identified the same trend among euro-area investors, we observe in Table 1 that Italian investors increased their exposure to UK securities after the Brexit referendum. The authors attribute this trend to low yields on euro-area debt securities and a strong recovery in UK share prices since the referendum. Investors from non-Eurosceptic provinces increase their exposure by 0.32% of the value of their total assets, while investors from Eurosceptic provinces increase theirs by 0.37%. Before the Brexit referendum, Eurosceptic investors allocate 0.08% more of their total assets to UK securities than non-Eurosceptic investors. After Brexit, this gap widens to 0.14%, reflecting an increase of 0.06 percentage points—equivalent to a 75% rise in the

²<https://elezioni.interno.gov.it/>.

difference.

At first glance, an absolute percentage difference of 0.06% of the total value of financial assets held by households in Italy may seem negligible. However, it is important to note that, on average, the total value of household securities kept in custody by financial intermediaries in Italy was approximately €700 billion annually after Brexit. Thus, 0.06% corresponds to €420 million—a considerable difference in absolute terms.³

3 Econometric analysis

3.1 Methodology

Our objective is to analyze whether investors residing in more Eurosceptic provinces invested relatively more in securities from the UK, compared to securities from other countries, after Brexit.

There are several empirical challenges that we need to address to study this question. First, there is significant variation in clients' holdings of securities across banks and provinces, which might indicate structural differences in preferences for the provenance of securities across banks and provinces. Second, we observe only the aggregate value of each security at the end of each year for each bank in each province. These aggregate values may be influenced by price changes rather than changes in quantities. Third, the demand for securities from a particular provenance might be affected by time-varying and time-invariant bank- and province-specific factors driving the demand for specific securities. Fourth, we aim to focus on the relative change in demand for securities from the UK (i.e., those with UK ISINs) versus securities from other provenances, rather than the absolute holding of securities from the UK, to avoid capturing overall trends in securities holdings, such as a general increase or decrease in investments across all securities.

³While someone might argue that the aggregate amount reallocated is modest in macroeconomic terms, the finding remains informative: it demonstrates that political polarization can influence financial decisions even in relatively marginal asset classes.

The granularity and detail of our data allow us to address these empirical challenges. Our dataset comprises 13,428,966 observations recorded over multiple time periods, involving various banks across all Italian provinces and covering a wide range of securities. We therefore estimate the following empirical specification:

$$Hold_{i,b,p,r,t} = \beta_0 + \beta_1 \cdot Euroseptic_p \cdot Brexit_t \cdot UK_r + \psi_{p,b} + \chi_{b,r} + \mu_{p,r} + \lambda_{i,t} + \eta_{b,t} + \gamma_{p,t} + \varepsilon_{i,b,p,r,t}, \quad (1)$$

where *Hold* represents the position (at market value and in logs to smooth outliers) for security *i*, of type *r*, for bank *b*, in province *p* at time *t*. Here, type *r* refers to each unique combination of the type of security, issuing country, and currency. *Euroseptic* takes the value of one if investors reside in a province where Euroscepticism is above the mean, and zero otherwise. *Brexit* is a binary variable set to one starting from 2016, the year of the Brexit referendum. *UK* is a dummy variable equal to one if the security has a UK ISIN. Standard errors are clustered by province, security type, and bank because: i) local shocks or policies may create error correlations across observations within the same province; ii) similar titles may have systematic characteristics or exposures to similar risk factors; iii) and errors may be correlated within banks due to shared policies, strategies, or financial health. We will provide robustness to alternative clustering choices.

Our key coefficient of interest is β_1 . It quantifies the relative difference in the holding values of UK securities versus securities from other countries, among retail investors in more *Euroseptic* areas compared to those in less *Euroseptic* areas, after the Brexit referendum. A positive coefficient for the three-way interaction implies that, after the Brexit referendum, more Eurosceptic investors (approximated by the areas where they live) invest relatively more in securities from the UK.

Our choice of specification and fixed effects addresses the empirical challenges mentioned above. Specifically, $\psi_{p,b}$ controls for time-invariant factors that relate to certain banks operating in specific provinces, $\chi_{b,r}$ controls for time-invariant preferences that banks or their clients might have for certain types of assets, and $\mu_{p,r}$ controls for time-invariant preferences

that clients from certain provinces might have for certain types of assets.⁴ Security-time fixed effects, $\lambda_{i,t}$, account for all time-varying factors related to specific assets. These fixed effects are crucial as they account for everything that happens to a specific security during an year, including price changes (e.g. [Peydró et al., 2021](#)). For instance, if a specific security (with a unique ISIN) suddenly becomes more or less valuable due to external events, these fixed effects will capture that. $\eta_{b,t}$ represents bank-time fixed effects, which control for time-varying factors related to each bank (e.g. [Acharya et al., 2022](#)), including banks’ incentives to promote certain investments during specific periods. Finally, $\gamma_{p,t}$ captures all time-varying factors related to each province.

While aggregating the dataset to a higher level might appear to simplify interpretation, it would preclude the inclusion of key fixed effects—such as security-time and bank-time—which are essential to account for shocks specific to individual securities and banks, and thus crucial for identification. Retaining the disaggregated structure is therefore critical to credibly isolating belief-driven shifts in investment behavior from confounding institution- and security-specific dynamics.

3.2 Results

3.2.1 Main findings

Table 2 displays the outcomes of our baseline analysis. As outlined earlier, the key variable of interest is the triple interaction term (*Eurosceptic* $\times$ *Brexit* $\times$ *UK*). We adopt a parsimonious approach in including fixed effects. To address the empirical concerns highlighted previously, our preferred model is the most comprehensive one, shown in column 4, which incorporates all fixed effects. Nonetheless, except in Column 1, where only time fixed effects are included, the triple interaction coefficient remains qualitatively consistent across all other specifications. These specifications include fixed effects that account for time-invariant factors (Column 2),

⁴Table A4 reveals a large variation in security preferences among clients of different banks, while Table A5 shows a similarly large variation among residents of different provinces.

time-variant factors (Column 3), and both types of heterogeneity (Column 4) among banks, provinces, and securities.

Our results show that, following the Brexit referendum, households in more Eurosceptic provinces invest more heavily in UK securities compared to those in less Eurosceptic provinces, relative to securities from other countries. This divergence in investment patterns represents approximately a 4.5% relatively larger investment in UK securities. These results align with our hypothesis that Eurosceptic households exhibit a stronger relative preference for UK securities compared to their less Eurosceptic counterparts following the referendum.

Our main identifying assumption is that, in the absence of the Brexit referendum outcome, the UK holdings of likely Eurosceptic and non-Eurosceptic investors would have followed similar paths (parallel trends). An analysis of the dynamics of our effects reveals that the relative increase in investments in UK securities by Eurosceptic investors is not present before the Brexit referendum and emerges only after its outcome (Figure 2).

3.2.2 Robustness checks

We perform a series of robustness checks to confirm the validity of our main findings. In the primary analysis, standard errors are clustered by bank, province, and security type to account for within-group correlations. However, the results remain qualitatively similar when employing alternative clustering approaches, such as double clustering by security type and province or clustering solely by province (Table A7). Additionally, Table 3 evaluates the robustness of our findings to alternative definitions of *Euroscepticism*. Column 1 presents the baseline results, while column 2 redefines a bank as Eurosceptic if the share of votes for Eurosceptic parties in the 2014 European elections exceeds the median. Column 3 treats *Euroscepticism* as a continuous variable. Across all definitions, the coefficient of interest remains consistently positive and statistically significant.

3.2.3 Additional findings

To further investigate how polarization affects investment behaviors during divisive political events, we examine investment behavior among voters supporting strongly pro-European parties, as shown in Table 4. Here, we substitute *Eurosceptic* with *Pro-EU* in our regressions from Table 3.⁵ No significant effects are observed, suggesting that the observed results are primarily driven by Eurosceptic investors becoming more optimistic about the UK, rather than by pro-European investors becoming notably pessimistic. This result suggests that there was an asymmetry in the investment reaction depending on political beliefs. Importantly, being a pro-EU province does not preclude also being Eurosceptic, and vice versa, as both Eurosceptic and strongly pro-EU parties can gain substantial support in some provinces. While there is a significant correlation of -0.49 between the two proxies, one does not exclude the other.

In Table 5, we investigate whether the relative increase in UK securities investments by Eurosceptic investors is confined to specific types. To do so, we decompose *UK* into its mutually exclusive security-type components: *UKStocks*, *UKGovBonds*, *UKOtherBonds*, and *UKFunds*, where each is set to 1 if the security is a stock, government bond, other type of bond, or fund, respectively. We find that they invest relatively more in UK stocks, UK corporate bonds, and UK mutual funds, but not in UK government bonds. As a robustness check, in Table A8, we rerun the same baseline analysis, including only observations related to stocks (Column 1), government bonds (Column 2), other bonds (Column 3), and funds (Column 4), respectively. We confirm that Eurosceptics relatively increase their investments in UK stocks and UK funds compared to other stocks⁶ and funds after Brexit, while no

⁵Pro-European parties are defined as those favoring or strongly favoring European integration, scoring 6 or lower on a 1–7 scale. Provinces above the national average in votes for Pro-EU parties are considered *Pro-EU*. Figure A1 shows the distribution of Pro-EU votes across Italy.

⁶We view the UK stocks analysis as particularly informative because the ISIN classification is both standard and relatively reliable for stocks. Unlike mutual funds—whose legal domiciles may not always reflect the geography of their actual investments—stocks with a UK ISIN correspond to companies incorporated in the UK, regardless of their listing venue. This helps mitigate concerns about misclassification and supports the interpretation of our main findings.

significant effect emerges for government bonds or other bonds.⁷ These results suggest that Brexit particularly fostered an increase in riskier investments among Eurosceptic investors, further suggesting increased optimism. These results align with those of Bonaparte et al. (2017) and Meeuwis et al. (2022), who find that individuals increase their share of risky assets when the parties with which they identify take power.

4 Alternative explanations

In this section, we conduct additional analyses to rule out identification threats and alternative explanations. In the first subsection, we perform further analyses to confirm that the significant effect observed for UK securities is not present in securities from other countries, thereby enhancing the robustness of our main results by demonstrating their specificity to UK securities. In the second subsection, we thoroughly discuss potential threats to interpreting our results as driven by Euroscepticism rather than other factors.

4.1 Is it truly about UK securities?

In this section, we provide further evidence that the results related to UK securities obtained so far are indeed associated with Euroscepticism, Brexit, and UK securities, rather than a broader geographical portfolio rebalancing driven by concurrent factors. To test this idea, we use the same empirical specification as our baseline in the triple interaction, but substitute *UK* with other categories of security geographical areas (*OtherArea*):

$$Hold_{i,b,p,r,t} = \beta_0 + \beta_1 \cdot Eurosceptic_p \cdot Brexit_t \cdot OtherArea_r + \psi_{p,b} + \chi_{b,r} + \mu_{p,r} + \lambda_{i,t} + \eta_{b,t} + \gamma_{p,t} + \varepsilon_{i,b,p,r,t}, \quad (2)$$

⁷The coefficient of *UKOtherBonds* is significant in Table 5, where the reference group includes all other assets, but not in Table A8, which compares only to non-UK bonds. This discrepancy reflects the change in control groups rather than a contradiction in findings. The absence of significance in the latter suggests that Eurosceptic investors increased their UK bond holdings relative to the overall portfolio, but not disproportionately relative to other bonds.

First, one might argue that the observed effects are not driven by Eurosceptic investors being relatively more optimistic and investing more in the UK following the Brexit referendum vote. Instead, these effects could be explained by their dissatisfaction with the Italian government, which in 2016 was strongly pro-EU, leading to a stronger distaste for Italian securities and greater pessimism about investing in Italy. Nevertheless, in Table 6, Column 1, we do not find support for this alternative story, as the triple interaction with securities bearing an Italian ISIN (*IT*) has a statistically insignificant coefficient.

Second, one might argue that the increased investment in the UK by Eurosceptic investors after the Brexit referendum is driven by a sudden increase in distaste for EU securities. However, in Table 6, column 2, where *EU* equals one if a security originates from an EU country other than Italy, we do not find evidence supporting this explanation.

Third, one might find plausible reasons why Eurosceptic investors in 2016 increased their investments in countries outside the European Union, suggesting that this trend is not specific to the UK. However, as shown in Table 6, column 3, there is no significant difference in investments in non-EU securities.

Fourth, one might propose that the observed UK result is driven by expectations of an appreciation in the UK currency, the pound, rather than by a relatively more optimistic outlook on the UK economy overall, leading to purchases of UK securities. Nevertheless, when examining securities denominated in pounds that are not UK ISINs (Table 6, column 4),⁸ we do not find any significant effects supporting this alternative explanation. Prior research shows that retail investors can be influenced by salient but superficial signals such as names or labels. Cooper et al. (2001) document large and persistent stock price increases for firms that added “.com” to their names during the late 1990s, even when they had no substantive connection to the Internet. Cooper et al. (2005) find that mutual funds that change their names to reflect popular investment styles attract significant inflows despite

⁸As can be seen in Table A9, our sample contains a non-negligible number of observations related to securities in GBP that are not UK ISINs.

no improvement in performance. Benos and Jochev (2013) similarly find that stocks with patriotic names (e.g., “America” or “USA”) earned abnormal returns during major wars, consistent with associative biases in investor behavior. In this context, the “GB” prefix in the ISIN—indicating that the issuer is UK-based—may act as a comparable cue, making UK-issued securities more likely to be interpreted by retail investors—particularly Eurosceptic ones—as a more direct bet on the UK than a GBP-denominated security issued elsewhere.

As a follow-up analysis, we split EU countries into Southern EU (Croatia, Malta, Slovenia, Italy, Portugal, Spain, Greece), Northern EU (Estonia, Latvia, Lithuania, Sweden, Norway, Finland, Denmark, Ireland), and Western EU (Germany, France, Austria, Belgium, Luxembourg, Netherlands) based on the United Nations geoscheme classification of Europe.⁹ The results, presented in Table 6, Panel B, indicate that none of these areas exhibit a significant variation in investments from Eurosceptic provinces after Brexit. Figure A2 graphically summarizes and compares the coefficients and significance of the estimated variation in the amount invested in certain geographical areas by Eurosceptic investors after Brexit.¹⁰

4.2 Is it truly about Euroscepticism?

One might be concerned that our Euroscepticism variable reflects a specific demographic characteristic strongly linked to Eurosceptic voting, rather than Euroscepticism itself. To address this, we analyze demographic, geographic, and economic factors that are associated with Eurosceptic voting and could influence investment decisions, thereby potentially acting as confounders for *Euroscepticism*. This analysis aims to ensure that the significant findings related to *Euroscepticism* are not merely the result of it serving as a proxy for another relevant demographic attribute. The factors we consider include education level, population age, provincial urbanicity, per capita income (as an indicator of economic conditions), percentage

⁹<https://unstats.un.org/unsd/methodology/m49/#geo-regions>

¹⁰We did not include an analysis with Eastern EU (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia) because Italian households have almost no securities from that geographic area, as shown in Table A1. In an unreported result, available upon request, we find that the estimated coefficient for Eastern EU countries appears relatively large in value, though not statistically significant.

of women, and the province’s connection to the UK.

To investigate the robustness of our findings to alternative explanations, we estimate regressions of the following form:

$$Hold_{i,b,p,r,t} = \beta_0 + \beta_1 \cdot Euroseptic_p \cdot Brexit_t \cdot UK_r + \beta_2 \cdot AltStory_p \cdot Brexit_t \cdot UK_r + FE + \varepsilon_{i,k,j,t}, \quad (3)$$

where *AltStory* is the variable capturing potential alternative explanations. The set of fixed effects (*FE*) is the same as in previous regressions.

First, according to various studies (e.g., [Hakhverdian et al., 2013](#); [Becker et al., 2017](#); [Alabrese et al., 2019](#); [Dijkstra et al., 2020](#)), lower-educated individuals are more likely to oppose EU integration, vote for anti-EU parties, and support Brexit in the UK. Moreover, education level alone has been shown to affect investment behaviors (e.g., [Cole et al., 2014](#); [Black et al., 2018](#)). For this reason, one might worry that our Euroseptic proxy is simply capturing the effect of education. Nevertheless, when we include the triple interaction term $Educ \times Brexit \times UK$ (Table 7, Column 1), where *Educ* equals one if a given area has a higher percentage of its population with a university degree than the median province, we still find that $Euroseptic \times Brexit \times UK$ retains a positive and significant coefficient.

Second, older individuals tend to be more Euroseptic (e.g., [Becker et al., 2017](#); [Alabrese et al., 2019](#); [Dijkstra et al., 2020](#)), and age is considered a fundamental factor in individuals’ financial decisions (e.g., [Gomes et al., 2021](#)). One concern might then be that our results are simply capturing the effect of age. Nonetheless, in Table 7, Column 2, we still find that $Euroseptic \times Brexit \times UK$ has a positive and significant coefficient when $Old \times Brexit \times UK$ is included, where *Old* equals one if the percentage of people older than 65 years in a certain province is higher than the median and zero otherwise.

Similarly, one might argue that Euroseptic voting reflects living in a rural versus urban area, as studies find that living in more rural areas is significantly associated with anti-EU views (e.g., [Dijkstra et al., 2020](#); [De Dominicis et al., 2022](#)). For some reason, one might also

argue that living in more or less urban areas could differentially affect investments in UK securities after the Brexit referendum. However, we find that our results for $Eurosceptic \times Brexit \times UK$ do not qualitatively change when $Urban \times Brexit \times UK$ is included (Table 7, Column 3), where *Urban* equals one if the area where the individual lives has a population density (total population in a specific province divided by the total area of the province in square kilometers) higher than the median.

Another potential concern is that Eurosceptic voting captures the economic condition of certain areas, which is itself associated both with anti-EU voting (e.g., [Becker et al., 2017](#); [Dijkstra et al., 2020](#)) and individuals' financial decisions (e.g., [Gomes et al., 2021](#)). However, our key coefficient of interest remains positive and significant even when $Income \times Brexit \times UK$ is included (Table 7, Column 4), where *Income* equals one if the income per capita in a certain province is higher than the median.

In addition, one might argue that Eurosceptic voting is, in the end, just populist voting, which could, for some reason, appeal more to men than women (e.g., [Spierings and Zaslove, 2017](#); [Bobba et al., 2018](#)). Importantly, gender has been repeatedly shown to matter for investment decisions (e.g., [Dwyer et al., 2002](#); [Bacher, 2024](#)). Nonetheless, we still find that $Eurosceptic \times Brexit \times UK$ does not qualitatively change when $Female \times Brexit \times UK$ is included (Table 7, Column 5), where *Female* equals one if the percentage of women in a certain province is higher than the median.

Furthermore, one might argue that our results are driven by the fact that the most Eurosceptic provinces are also the ones more connected to the UK, and this connection might have influenced their relative increase in UK securities after the Brexit referendum. To address this concern, we use the pairwise social connectedness between European regions and countries, based on a de-identified snapshot of all friendship links on Facebook ([Bailey et al., 2021](#)). This measure, called the Social Connectedness Index, has been widely used in several studies in economics (e.g., [Bailey et al., 2018a,b](#)) and finance (e.g., [Bailey et al., 2019](#);

Kuchler et al., 2022). In Table 7, Column 6, we include $UKConn \times Brexit \times UK$, where $UKConn$ equals one if a certain province has a higher-than-median connection with areas in the UK. Our results for $Eurosceptic \times Brexit \times UK$ remain unchanged.

Finally, one might argue that our results are driven by the advice of intermediaries rather than by clients' own decisions, since previous theoretical work (Bolton et al., 2007; Stoughton et al., 2011; Inderst and Ottaviani, 2012) and empirical studies (Foà et al., 2019; Guiso et al., 2022; Hoechle et al., 2018) investigate the role of banks' advice on clients' financial choices. To approximate a bank's connection to the UK, we construct the variable $UkExposedBank$, which equals one if the bank's portfolio-based exposure to UK-oriented sectors is above the median across all banks.¹¹ The rationale is that banks more connected to the UK would have stronger incentives to recommend UK investments to their clients in the aftermath of Brexit. As shown in Table 7, Column 7, while the interaction term $UKConn \times Brexit \times UK$ is positive and statistically significant, the coefficient on $Euroscepticism \times Brexit \times UK$ remains positive and significant as well, indicating that our results are not simply driven by incentives of UK-exposed intermediaries to recommend UK-issued securities. Our baseline results also remain robust when we include all variables that might capture alternative explanations in the same regression, as shown in Table 7, Column 8.

4.3 Where is the effect most pronounced?

Finally, we investigate treatment heterogeneity to examine where the increase in Eurosceptic investors investing in UK assets after Brexit is particularly concentrated. To do so, we repeat our baseline regression across several sample splits based on the demographics and geographic characteristics of the areas where investors live, distinguishing between those above and below

¹¹We measure each bank's exposure to the United Kingdom as a weighted average of sectoral export exposure to the UK, using both sectoral and portfolio data as of 2015. Let s index sectors and b banks. Denote by $w_{b,s}^{2015}$ the share of bank b 's total loans in 2015 granted to sector s , derived from banks' supervisory reports, and by $UKExp_s^{2015}$ the share of sector s 's exports directed to the UK in 2015, obtained from ISTAT. The exposure of bank b is defined as $UKExp_b = \sum_s w_{b,s}^{2015} \cdot UKExp_s^{2015}$. We then construct a binary exposure indicator $UkExposedBank$ equal to one if $UKExp_b$ is above the median across all banks, and zero otherwise.

the median within our sample of provinces.

Our results, presented in Table 8, indicate that this effect is particularly concentrated in higher-income and more urban areas, while it is not statistically significant in lower-income or more rural ones. The first result can be explained by the fact that wealth is associated with higher investment activity (e.g., Wachter and Yogo, 2010; Andersen and Nielsen, 2011), meaning that the effect of beliefs on investing is more pronounced among wealthier individuals (e.g., Giglio et al., 2021). Meanwhile, the effect of living in urban areas may be driven by greater exposure to and awareness of international issues.

On the other hand, we find that Eurosceptic investors invest more in UK assets after Brexit regardless of their level of education, age, gender, connectedness to the UK, or their bank’s exposure to the UK.

5 Conclusions

This study provides evidence that Euroscepticism influences the investment behavior of Italian households following the Brexit referendum. Residents of more Eurosceptic provinces increase their allocations to UK securities relative to other investments, compared to their counterparts in less Eurosceptic areas. This behavior highlights the potential role of political beliefs—particularly attitudes toward supranational institutions—in shaping perceptions of international financial opportunities.

Our findings are consistent with the broader literature on behavioral finance and political economy, which demonstrates that ideological alignment with significant political events can influence economic expectations and investment decisions. By illustrating that Euroscepticism may have fostered optimism toward UK financial prospects post-Brexit, this study contributes to understanding how political attitudes can extend beyond domestic contexts to influence cross-border investment strategies.

These insights may carry implications for policymakers and financial institutions. As

political polarization and ideological divisions increasingly shape the global economic landscape, understanding the interplay between political attitudes and financial behavior remains an important area for further inquiry. Our findings suggest that political beliefs may amplify the financial repercussions of major geopolitical events, potentially reshaping cross-border investment patterns beyond immediate economic fundamentals.

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Figures

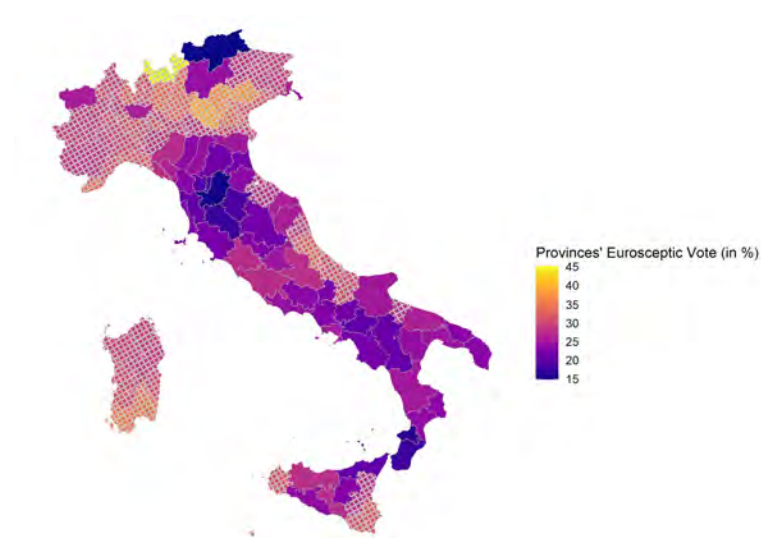
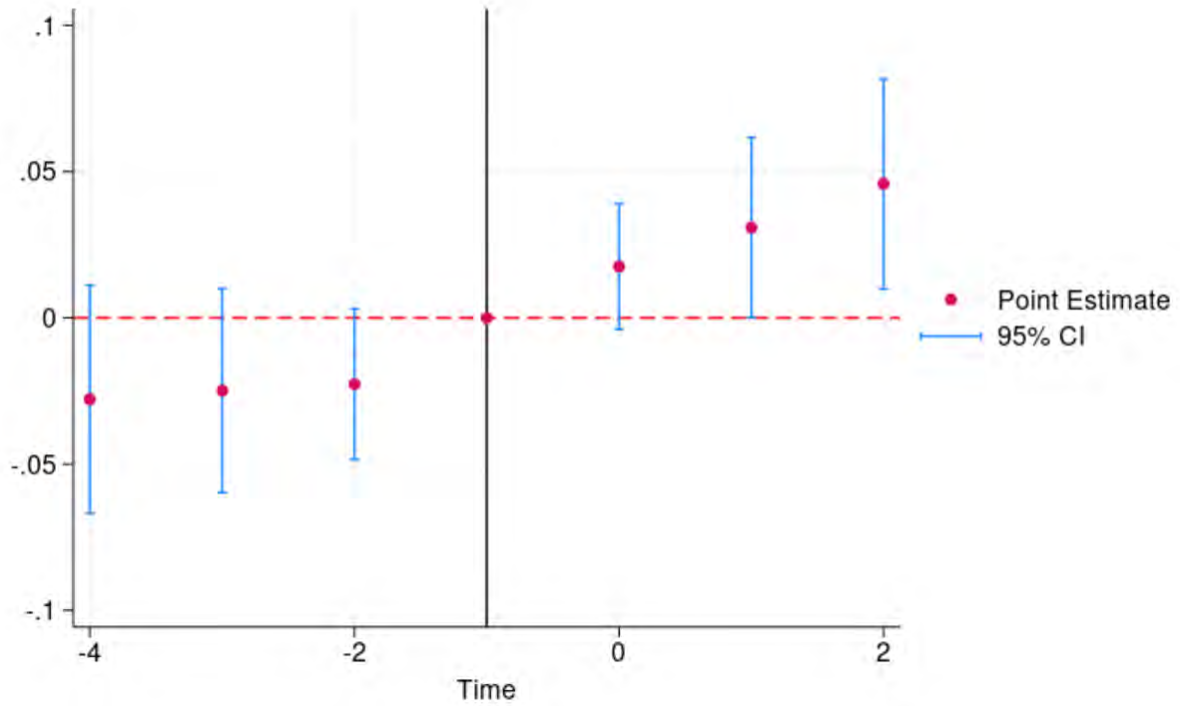


Figure 1: This figure illustrates the distribution of Eurosceptic votes across Italy in the 2014 European elections. Provinces classified as *Eurosceptic* — that is, those where the share of Eurosceptic votes was above (or below) the national mean during the 2014 European elections — are represented with lines rather than solid shading.

Figure 2: Dynamic effects of UK holdings in Eurosceptic versus non-Eurosceptic provinces



This figure presents the dynamic version of the difference-in-differences analysis from Table 2, Column 4. *Eurosceptic* is a binary variable equal to one if the province had a share of votes for Eurosceptic parties higher than the mean in the 2014 EU elections. 2016 is considered as time 0 in the graphs.

Tables

Table 1: Value of UK holdings before (2012-2015) and after (2016-2018) the Brexit referendum

	(1) Non-Eurosceptic	(2) Eurosceptic	(2) - (1)
% UK (Before Brexit)	0.54%	0.62%	0.08%
% UK (Post Brexit)	0.86%	0.99%	0.14%
Increase in the difference after Brexit	0.32%	0.37%	0.06%
Number of provinces	57	53	

This table shows the average value of UK holdings as a percentage of the total assets under custody for Italian households before and after the Brexit referendum, depending on whether the province was *Eurosceptic* or not. *Eurosceptic* is a binary variable equal to one if the province had a share of votes for Eurosceptic parties higher than the mean in the 2014 EU elections.

Table 2: Main effects

Dependent variable	(1)	(2)	(3)	(4)
			Hold	
Eurosceptic $\times$ Brexit $\times$ UK	0.026 (1.551)	0.031** (2.514)	0.044*** (3.479)	0.045*** (3.597)
Eurosceptic $\times$ Brexit	0.014* (1.765)	0.003 (0.826)	-0.001 (-0.310)	
Brexit $\times$ UK	0.126*** (10.220)	0.062*** (6.898)		
Eurosceptic $\times$ UK	-0.059* (-1.934)			
Eurosceptic	-0.047*** (-4.217)			
UK	-0.389*** (-17.010)			
Observations	13,428,966	13,425,758	13,361,374	13,361,364
Adj. R-squared	0.002	0.255	0.437	0.438
Time FE	Y	Y	N	N
Bank-province FE	N	Y	Y	Y
Bank-security type FE	N	Y	Y	Y
Province-security type FE	N	Y	Y	Y
Security-time FE	N	N	Y	Y
Bank-time FE	N	N	N	Y
Province-time FE	N	N	N	Y

This table reports OLS estimates. The dependent variable, *Hold*, represents the position (at market value and in logs) for security *i*, of type *r*, for bank *b*, in province *p*, at time *t*. *Eurosceptic* is a binary variable equal to one if the province had a share of votes for Eurosceptic parties higher than the mean in the 2014 EU elections. *Brexit* is a binary variable that equals one after the Brexit referendum. *UK* is a dummy variable equal to one if the security has a UK ISIN. Standard errors are clustered by province, security type, and bank. T-stats are reported below in parentheses. ***, **, and * refer to significance at the 1%, 5%, and 10% levels, respectively.

Table 3: Alternative definition of Euroscepticism

Dependent variable	(1)	(2)	(3)
		Hold	
Eurosceptic $\times$ Brexit $\times$ UK	0.045*** (3.597)	0.040*** (3.178)	0.022*** (3.521)
Observations	13,361,364	13,361,364	13,361,364
Adj. R-squared	0.438	0.438	0.438
Euroscepticism proxy	mean	median	cont
Bank-province FE	Y	Y	Y
Bank-security type FE	Y	Y	Y
Province-security type FE	Y	Y	Y
Security-time FE	Y	Y	Y
Bank-time FE	Y	Y	Y
Province-time FE	Y	Y	Y

This table reports OLS estimates. The dependent variable, *Hold*, represents the position (at market value and in logs) for security *i*, of type *r*, for bank *b*, in province *p*, at time *t*. *Eurosceptic* is a variable defined as follows: i) it equals one if the province had a share of votes for Eurosceptic parties higher than the *mean* (Column 1) or the *median* (Column 2) in the 2014 EU elections; ii) it is equal to the standardized value of votes for Eurosceptic parties in the 2014 EU elections (Column 3). *Brexit* is a binary variable that equals one after the Brexit referendum. *UK* is a dummy variable equal to one if the security has a UK ISIN. Standard errors are clustered by province, security type, and bank. T-stats are reported below in parentheses. ***, **, and * refer to significance at the 1%, 5%, and 10% levels, respectively.

Table 4: What is the impact of being very Pro-EU?

Dependent variable	(1)	(2)	(3)
		Hold	
Pro-EU $\times$ Brexit $\times$ UK	0.002 (0.171)	-0.000 (-0.033)	0.001 (0.198)
Observations	13,361,364	13,361,364	13,361,364
Adj. R-squared	0.438	0.438	0.438
Very Pro-EU proxy	mean	median	cont
Bank-province FE	Y	Y	Y
Bank-security type FE	Y	Y	Y
Province-security type FE	Y	Y	Y
Security-time FE	Y	Y	Y
Bank-time FE	Y	Y	Y
Province-time FE	Y	Y	Y

This table reports OLS estimates. The dependent variable, *Hold*, represents the position (at market value and in logs) for security *i*, of type *r*, for bank *b*, in province *p*, at time *t*. *Pro-EU* is a variable defined as follows: i) it equals one if the province had a share of votes for strongly pro-EU parties higher than the *mean* (Column 1) or the *median* (Column 2) in the 2014 EU elections; ii) it is equal to the standardized value of votes for strongly pro-EU parties in the 2014 EU elections (Column 3). *Brexit* is a binary variable that equals one after the Brexit referendum. *UK* is a dummy variable equal to one if the security has a UK ISIN. Standard errors are clustered by province, security type, and bank. T-stats are reported below in parentheses. ***, **, and * refer to significance at the 1%, 5%, and 10% levels, respectively.

Table 5: Which UK titles drive our results?

Dependent variable	(3) Hold
Eurosceptic $\times$ Brexit $\times$ UKStocks	0.046** (2.160)
Eurosceptic $\times$ Brexit $\times$ UKGovBonds	0.014 (0.250)
Eurosceptic $\times$ Brexit $\times$ UKOtherBonds	0.058** (2.410)
Eurosceptic $\times$ Brexit $\times$ UKFunds	0.040** (2.050)
Observations	13,361,364
Adj. R-squared	0.438
Bank-province FE	Y
Bank-security type FE	Y
Province-security type FE	Y
Security-time FE	Y
Bank-time FE	Y
Province-time FE	Y

This table reports OLS estimates. The dependent variable, *Hold*, represents the position (at market value and in logs) for security *i*, of type *r*, for bank *b*, in province *p*, at time *t*. *Eurosceptic* is a binary variable equal to one if the province had a share of votes for Eurosceptic parties higher than the mean in the 2014 EU elections. *Brexit* is a binary variable that equals one after the Brexit referendum. *UKStocks*, *UKGovBonds*, *UKOtherBonds*, and *UKFunds* are dummy variables equal to one if the security is a stock, a government bond, another type of bond, or a fund from the UK, respectively. Standard errors are clustered by province, security type, and bank. T-stats are reported below in parentheses. ***, **, and * refer to significance at the 1%, 5%, and 10% levels, respectively.

Table 6: Is it truly about UK securities?

Dependent variable	(1)	(2)	(3)	(4)
			Hold	
Eurosceptic $\times$ Brexit $\times$ IT	-0.002 (-0.270)			
Eurosceptic $\times$ Brexit $\times$ EU		-0.005 (-0.780)		
Eurosceptic $\times$ Brexit $\times$ NON-EU			0.006 (0.970)	
Eurosceptic $\times$ Brexit $\times$ GBP				0.022 (1.510)
Observations	13,361,364	13,361,364	13,361,364	13,361,364
Adj. R-squared	0.438	0.438	0.438	0.438
Bank-province FE	Y	Y	Y	Y
Bank-security type FE	Y	Y	Y	Y
Province-security type FE	Y	Y	Y	Y
Security-time FE	Y	Y	Y	Y
Bank-time FE	Y	Y	Y	Y
Province-time FE	Y	Y	Y	Y

Panel A. This table reports OLS estimates. The dependent variable, *Hold*, represents the position (at market value and in logs) for security *i*, of type *r*, for bank *b*, in province *p*, at time *t*. *Eurosceptic* is a binary variable equal to one if the province had a share of votes for Eurosceptic parties higher than the mean in the 2014 EU elections. *Brexit* is a binary variable that equals one after the Brexit referendum. *IT*, *EU*, *NON-EU*, and *GBP* are dummy variables equal to one if the security has an Italian ISIN, an EU ISIN (excluding Italy), a non-EU ISIN (excluding the UK), or is denominated in GBP (excluding UK securities), respectively. Standard errors are clustered by province, security type, and bank. T-stats are reported below in parentheses. ***, **, and * refer to significance at the 1%, 5%, and 10% levels, respectively. In unreported results, we verified that the outcomes of Columns 1-4 are qualitatively similar when we also include the singleton observations.

Dependent variable	(1)	(2)	(3)
		Hold	
Eurosceptic $\times$ Brexit $\times$ Southern EU	0.001 (0.110)		
Eurosceptic $\times$ Brexit $\times$ Northern EU		-0.008 (-0.820)	
Eurosceptic $\times$ Brexit $\times$ Western EU			-0.005 (0.740)
Observations	13,361,364	13,361,364	13,361,364
Adj. R-squared	0.438	0.438	0.438
Bank-province FE	Y	Y	Y
Bank-security type FE	Y	Y	Y
Province-security type FE	Y	Y	Y
Security-time FE	Y	Y	Y
Bank-time FE	Y	Y	Y
Province-time FE	Y	Y	Y

Panel B. This table reports OLS estimates. The dependent variable, *Hold*, represents the position (at market value and in logs) for security *i*, of type *r*, for bank *b*, in province *p*, at time *t*. *Eurosceptic* is a binary variable equal to one if the province had a share of votes for Eurosceptic parties higher than the mean in the 2014 EU elections. *Brexit* is a binary variable that equals one after the Brexit referendum. *Southern EU*, *Northern EU*, and *Western EU* are dummy variables equal to one if the security has an ISIN from a country in Southern EU, Northern EU, or Western EU, respectively. Standard errors are clustered by province, security type, and bank. T-stats are reported below in parentheses. ***, **, and * refer to significance at the 1%, 5%, and 10% levels, respectively. In unreported results, we verified that the outcomes of Columns 1-4 are qualitatively similar when we also include the singleton observations.

Table 7: Alternative explanations

Dependent variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				Hold				
Eurosceptic $\times$ Brexit $\times$ UK	0.049*** (3.751)	0.046*** (3.635)	0.044*** (3.491)	0.038*** (2.949)	0.045*** (3.496)	0.048*** (3.736)	0.049*** (3.810)	0.037*** (2.710)
Educ $\times$ Brexit $\times$ UK	0.014 (1.079)							0.039 (0.270)
Old $\times$ Brexit $\times$ UK		0.001 (0.547)						-0.000 (-0.000)
Urban $\times$ Brexit $\times$ UK			0.028** (2.029)					0.021 (1.380)
Income $\times$ Brexit $\times$ UK				0.064*** (4.102)				0.071*** (3.940)
Female $\times$ Brexit $\times$ UK					-0.002 (-0.120)			-0.011 (-0.700)
UKConn $\times$ Brexit $\times$ UK						0.019 (1.492)		-0.001 (-0.004)
UkExposedBank $\times$ Brexit $\times$ UK							0.061*** (4.810)	0.062*** (4.860)
Observations	13,361,364	13,361,364	13,361,364	13,361,364	13,361,364	13,361,364	12,838,107	13,361,364
Adj. R-squared	0.438	0.438	0.438	0.438	0.438	0.438	0.441	0.438
Bank-province FE	Y	Y	Y	Y	Y	Y	Y	Y
Bank-security type FE	Y	Y	Y	Y	Y	Y	Y	Y
Province-security type FE	Y	Y	Y	Y	Y	Y	Y	Y
Security-time FE	Y	Y	Y	Y	Y	Y	Y	Y
Bank-time FE	Y	Y	Y	Y	Y	Y	Y	Y
Province-time FE	Y	Y	Y	Y	Y	Y	Y	Y

This table reports OLS estimates. The dependent variable, *Hold*, represents the position (at market value and in logs) for security *i*, of type *r*, for bank *b*, in province *p*, at time *t*. *Eurosceptic* is a binary variable equal to one if the province had a share of votes for Eurosceptic parties higher than the mean in the 2014 EU elections. *Brexit* is a binary variable that equals one after the Brexit referendum. *UK* is a dummy variable equal to one if the security has a UK ISIN. *Educ* equals one if a given area has a higher percentage of its population with a university degree than the median province. *Old* equals one if the percentage of people older than 65 years in a given province is higher than the median and equals zero otherwise. *Urban* equals one if the area where the individual resides has a population density (total population of the province divided by its total area in square kilometers) higher than the median. *Income* equals one if the per capita income in a given province is higher than the median. *Female* equals one if the percentage of women in a given province is higher than the median. *UKConn* equals one if a given province has a higher-than-median connection with areas in the UK. *UkExposedBank* equals one if a given bank has an above-median share of loans issued to UK entities. Standard errors are clustered by province, security type, and bank. T-stats are reported below in parentheses. ***, **, and * refer to significance at the 1%, 5%, and 10% levels, respectively. In unreported results, we verified that the outcomes of Columns 1-4 are qualitatively similar when we also include the singleton observations.

Table 8: Heterogeneity

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Dependent variable								Hold						
Subsample	Income Low	Income High	Urban Low	Urban High	Educ Low	Educ High	Old Low	Old High	Female Low	Female High	UKConn Low	UKConn High	UkExposedBank Low	UkExposedBank High
Eurosceptic $\times$ Brexit $\times$ UK	-0.014 (-0.560)	0.042*** (2.890)	0.025 (1.100)	0.048*** (3.200)	0.069*** (3.380)	0.043** (2.560)	0.058*** (3.080)	0.035** (2.080)	0.059*** (2.900)	0.037** (2.240)	0.054*** (3.120)	0.040** (2.190)	0.037** (2.250)	0.060*** (2.980)
Observations	3,120,198	10,192,130	3,867,393	9,434,357	5,328,172	7,969,118	5,614,251	7,686,182	5,362,549	7,934,738	7,047,894	6,249,917	6,472,377	6,318,658
Adj. R-squared	0.477	0.439	0.449	0.442	0.444	0.441	0.447	0.440	0.444	0.442	0.449	0.437	0.411	0.500
Bank-province FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Bank-security type FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Province-security type FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Security-time FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Bank-time FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Province-time FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

This table reports OLS estimates. The dependent variable, *Hold*, represents the position (at market value and in logs) for security *i*, of type *r*, for bank *b*, in province *p*, at time *t*. *Eurosceptic* is a binary variable equal to one if the province had a share of votes for Eurosceptic parties higher than the mean in the 2014 EU elections. *Brexit* is a binary variable that equals one after the Brexit referendum. *UK* is a dummy variable equal to one if the security has a UK ISIN. The table presents binary indicators for various provincial characteristics, where each variable is classified as either *High* or *Low* based on whether it is above or below the national median. *Educ* is *High* if the percentage of the population with a university degree in a given province is above the national median, *Low* otherwise. *Old* is *High* if the proportion of individuals aged 65 and above in a given province exceeds the national median, *Low* otherwise. *Urban* is *High* if the population density (total population divided by total area in square kilometers) is greater than the national median, *Low* otherwise. *Income* is *High* if the per capita income in a given province is higher than the national median, *Low* otherwise. *Female* is *High* if the percentage of women in a given province surpasses the national median, *Low* otherwise. *UKConn* is *High* if a given province has a stronger-than-median connection with areas in the UK, *Low* otherwise. *UkExposedBank* equals one if a given bank has an above-median share of loans issued to UK entities, zero otherwise. Standard errors are clustered by province, security type, and bank. T-stats are reported below in parentheses. ***, **, and * refer to significance at the 1%, 5%, and 10% levels, respectively. In unreported results, we verified that the outcomes of Columns 1-4 are qualitatively similar when we also include the singleton observations.

Appendix

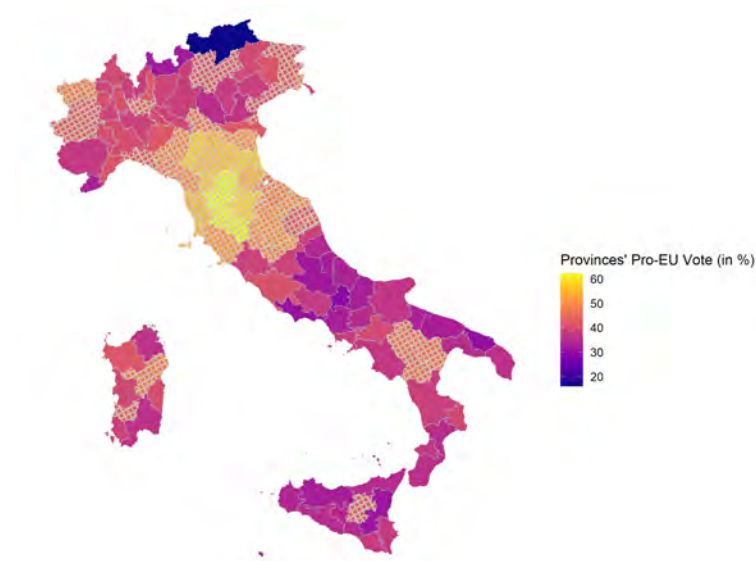


Figure A1: This figure illustrates the distribution of very Pro-EU votes across Italy in the 2014 European elections. Provinces classified as *Pro-EU* — that is, those where the share of very Pro-EU votes was above (or below) the national mean during the 2014 European elections — are represented with lines rather than solid shading

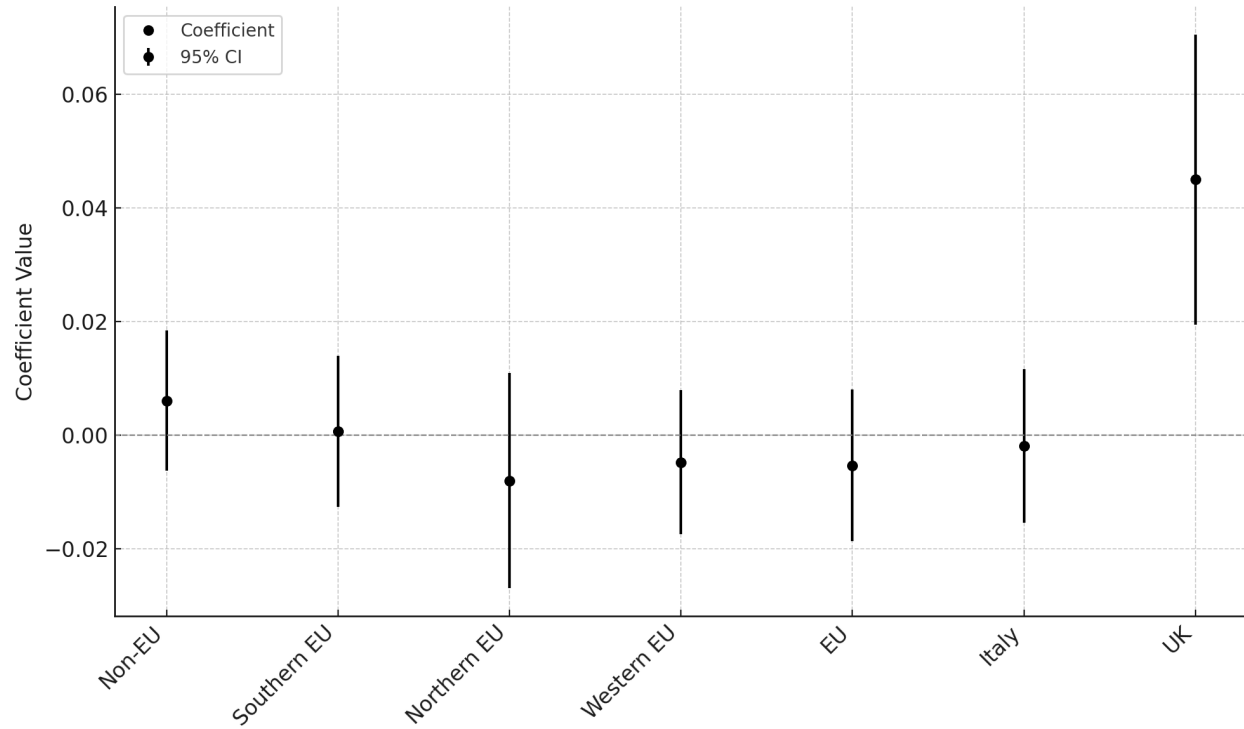


Figure A2: This graph summarizes and compares regression coefficients and their significance, illustrating how Brexit influenced the amount invested by Eurosceptic investors across different geographical areas. The coefficient for the UK is from the regression in Table 2, Column 4, while the coefficients for the other geographic areas are obtained from the regressions in Table 6, Panels A and B.

Table A1: Descriptive statistics

Variable	N	Mean	SD	Min	Max
Hold	13,428,966	11.209	1.489	9.210	21.526
Eurosceptic	13,428,966	0.514	0.500	0	1
Brexit	13,428,966	0.437	0.496	0	1
UK	13,428,966	0.014	0.119	0	1
UKStocks	13,428,966	0.004	0.063	0	1
UKGovBonds	13,428,966	0.001	0.022	0	1
UKOtherBonds	13,428,966	0.003	0.059	0	1
UKFunds	13,428,966	0.006	0.080	0	1
IT	13,428,966	0.426	0.495	0	1
EU	13,428,966	0.352	0.478	0	1
NON-EU	13,428,966	0.207	0.405	0	1
GBP	13,428,966	0.009	0.095	0	1
Southern EU	13,428,966	0.435	0.496	0	1
Northern EU	13,428,966	0.039	0.192	0	1
Western EU	13,428,966	0.305	0.461	0	1
Eastern EU	13,428,966	0.000	0.011	0	1
Educ	13,428,966	0.599	0.490	0	1
Old	13,428,966	0.577	0.494	0	1
Urban	13,428,966	0.708	0.455	0	1
Income	13,428,966	0.764	0.425	0	1
Female	13,428,966	0.596	0.491	0	1
UKConn	13,428,966	0.470	0.499	0	1

This table displays the descriptive statistics of the variables used in our analysis. The definition of the other variables is in [Appendix A2](#).

Table A2: Variable definitions

Variable Name	Definition
Hold	The position (at market value and in logs) for security i , for clients of bank j at time t .
Eurosceptic	A binary variable equal to one if the province had a share of votes for Eurosceptic parties higher than the mean in the 2014 EU elections.
Brexit	A binary variable equal to one after the Brexit referendum.
UK	A binary variable equal to one if the security has a UK ISIN.
UKStocks	A binary variable equal to one if the security is a stock from the UK.
UKGovBonds	A binary variable equal to one if the security is a government bond from the UK.
UKOtherBonds	A binary variable equal to one if the security is another type of bond from the UK.
UKFunds	A binary variable equal to one if the security is a fund from the UK.
IT	A binary variable equal to one if the security has an Italian ISIN.
EU	A binary variable equal to one if the security has an EU ISIN (excluding Italy).
NON-EU	A binary variable equal to one if the security has a non-EU ISIN (excluding the UK).
GBP	A binary variable equal to one if the security is denominated in GBP (excluding UK securities).
Southern EU	A binary variable equal to one if the security has a Southern EU ISIN.
Northern EU	A binary variable equal to one if the security has a Northern EU ISIN.
Western EU	A binary variable equal to one if the security has a Western EU ISIN.
Educ	A binary variable equal to one if the percentage of individuals with a university degree in a given area is higher than the median.
Old	A binary variable equal to one if the percentage of people older than 65 years in a given province is higher than the median.
Urban	A binary variable equal to one if the population density (total population divided by area) in a given province is higher than the median.
Income	A binary variable equal to one if the per capita income in a given province is higher than the median.
Female	A binary variable equal to one if the percentage of women in a given province is higher than the median.
UKConn	A binary variable equal to one if the connection index with the UK in a given province is higher than the median.
UKExposedBank	A binary variable equal to one if the bank has an above-median share of loans issued to UK entities.

Table A3: Descriptive statistics of provincial-level proxies

	N	Mean	SD	Min	Lower quartile	Median	Upper quartile	Max
Eurosceptic	110	27.119	5.112	14.796	23.506	27.588	30.419	45.074
Pro-EU	110	41.434	7.652	15.922	36.290	39.941	45.971	62.211
Educ	110	9.261	1.721	5.249	7.950	9.132	10.159	15.289
Old	110	21.609	2.661	15.260	19.800	21.285	23.280	27.990
Urban	110	262.384	373.063	31.394	104.854	174.121	274.530	2651.942
Income	110	17730.23	2744.456	13042.76	15421.70	18070.96	19662.98	25704.46
Female	110	51.558	0.554	50.416	51.137	51.543	51.977	53.111

This table displays the descriptive statistics of the proxies at the province level created in our analysis. *Eurosceptic* represents the percentage of votes for Eurosceptic parties in the 2014 EU elections. *Pro-EU* represents the percentage of votes for strongly Pro-EU parties in the same elections. *Educ* indicates the percentage of the population with a university degree. *Old* represents the percentage of people aged 65 and older in a given province. *Urban* indicates the population density (total population of the province divided by its total area in square kilometers). *Income* represents the per capita income. *Female* represents the percentage of women in the population.

Table A4: Summary statistics: security type percentage volume by bank

	N	Mean	SD	Min	Max
UK	614	0.0033	0.0105	0.0000	0.1281
UKStocks	614	0.0006	0.0020	0.0000	0.0212
UKGovBonds	614	0.0001	0.0014	0.0000	0.0344
UKOtherBonds	614	0.0006	0.0025	0.0000	0.0557
UKFunds	614	0.0020	0.0094	0.0000	0.1281
IT	614	0.8633	0.1818	0.0047	1.0000
EU	614	0.0764	0.1242	0.0000	0.8671
NON-EU	614	0.0570	0.0790	0.0000	0.6260
GBP	614	0.0016	0.0041	0.0000	0.0654
Southern EU	614	0.8652	0.1806	0.0047	1.0000
Western EU	614	0.0685	0.1147	0.0000	0.7690
Northern EU	614	0.0062	0.0132	0.0000	0.1037
Stocks	614	0.1006	0.1449	0.0000	1.0000
GovBonds	614	0.2867	0.1944	0.0000	1.0000
OtherBonds	614	0.5051	0.2387	0.0000	0.9999
Funds	614	0.1017	0.1636	0.0000	1.0000

This table shows the summary statistics for the percentage volume of each security type by bank. These figures are calculated as the average share of each asset class in the total assets under custody for each bank in our sample over the entire period. *UK* is a binary variable equal to one if the security has a UK ISIN. *UKStocks*, *UKGovBonds*, *UKOtherBonds*, and *UKFunds* refer to securities from the UK that are, respectively, stocks, government bonds, other bonds, and mutual funds. *IT*, *EU*, and *NON-EU* indicate whether the security has an Italian, EU (excluding Italy), or non-EU (excluding the UK) ISIN, respectively. *GBP* is a binary variable equal to one if the security is denominated in GBP (excluding UK securities). *Southern EU*, *Western EU*, and *Northern EU* indicate securities from those respective EU regions based on their ISIN.

Table A5: Summary statistics: security type percentage volume by province

	N	Mean	SD	Min	Max
UK	110	0.0071	0.0036	0.0019	0.0214
UKStocks	110	0.0005	0.0005	0.00001	0.0031
UKGovBonds	110	0.0001	0.0001	0.0000	0.0003
UKOtherBonds	110	0.0006	0.0004	0.00005	0.0015
UKFunds	110	0.0060	0.0033	0.0016	0.0193
IT	110	0.7282	0.0560	0.5944	0.9418
EU	110	0.1935	0.0414	0.0445	0.2976
NON-EU	110	0.0712	0.0231	0.0096	0.1655
GBP	110	0.0014	0.0009	0.0001	0.0046
Southern EU	110	0.7291	0.0576	0.5959	0.9423
Western EU	110	0.1785	0.0367	0.0404	0.2714
Northern EU	110	0.0134	0.0046	0.0036	0.0252
Stocks	110	0.0895	0.0382	0.0331	0.3275
GovBonds	110	0.2544	0.0480	0.0916	0.3186
OtherBonds	110	0.3370	0.0463	0.2543	0.5256
Funds	110	0.3679	0.0473	0.1911	0.4887

This table shows the summary statistics for the percentage volume of each security type by province. These figures are calculated as the average share of each asset class in the total assets under custody for each province in our sample over the entire period. *UK* is a binary variable equal to one if the security has a UK ISIN. *UKStocks*, *UKGovBonds*, *UKOtherBonds*, and *UKFunds* refer to securities from the UK that are, respectively, stocks, government bonds, other bonds, and mutual funds. *IT*, *EU*, and *NON-EU* indicate whether the security has an Italian, EU (excluding Italy), or non-EU (excluding the UK) ISIN, respectively. *GBP* is a binary variable equal to one if the security is denominated in GBP (excluding UK securities). *Southern EU*, *Western EU*, and *Northern EU* indicate securities from those respective EU regions based on their ISIN.

Table A6: Main effects - same sample

Dependent variable	(1)	(2)	(3)
		Hold	
Eurosceptic $\times$ Brexit $\times$ UK	0.031** (2.550)	0.044*** (3.479)	0.045*** (3.597)
Eurosceptic $\times$ Brexit	0.003 (0.811)	-0.001 (-0.310)	
Brexit $\times$ UK	0.062*** (6.907)		
Eurosceptic $\times$ UK			
Observations	13,361,364	13,361,364	13,361,364
Adj. R-squared	0.254	0.437	0.438
Time FE	Y	N	N
Bank-province FE	Y	Y	Y
Bank-security type FE	Y	Y	Y
Province-security type FE	Y	Y	Y
Security-time FE	N	Y	Y
Bank-time FE	N	N	Y
Province-time FE	N	N	Y

This table reports OLS estimates. The dependent variable, *Hold*, represents the position (at market value and in logs) for security *i*, of type *r*, for bank *b*, in province *p*, at time *t*. *Eurosceptic* is a binary variable equal to one if the province had a share of votes for Eurosceptic parties higher than the mean in the 2014 EU elections. *Brexit* is a binary variable that equals one after the Brexit referendum. *UK* is a dummy variable equal to one if the security has a UK ISIN. Standard errors are clustered by province, security type, and bank. T-stats are reported below in parentheses. ***, **, and * refer to significance at the 1%, 5%, and 10% levels, respectively.

Table A7: Alternative clusters

Dependent variable	(2)	(3)
	Hold	
Eurosceptic $\times$ Brexit $\times$ UK	0.045*** (7.027)	0.045*** (3.960)
Observations	13,361,364	13,361,364
Adj. R-squared	0.438	0.438
Cluster	security type province	province
Bank-province FE	Y	Y
Bank-security type FE	Y	Y
Province-security type FE	Y	Y
Security-time FE	Y	Y
Bank-time FE	Y	Y
Province-time FE	Y	Y

This table reports OLS estimates. The dependent variable, *Hold*, represents the position (at market value and in logs) for security *i*, of type *r*, for bank *b*, in province *p*, at time *t*. *Eurosceptic* is a binary variable equal to one if the province had a share of votes for Eurosceptic parties higher than the mean in the 2014 EU elections. *Brexit* is a binary variable that equals one after the Brexit referendum. *UK* is a dummy variable equal to one if the security has a UK ISIN. In Column 1, standard errors are clustered at the province and security-type levels, whereas in Column 2, they are clustered only at the province level. ***, **, and * refer to significance at the 1%, 5%, and 10% levels, respectively.

Table A8: Which UK titles drive our results? - Sample decomposition depending on security classes

Dependent variable	(1)	(2)	(3)	(4)
			Hold	
Eurosceptic $\times$ Brexit $\times$ UKStocks	0.043** (2.04)			
Eurosceptic $\times$ Brexit $\times$ UKGovBonds		-0.008 (-0.120)		
Eurosceptic $\times$ Brexit $\times$ UKOtherBonds			0.039 (1.560)	
Eurosceptic $\times$ Brexit $\times$ UKFunds				0.049** (2.480)
Observations	2,008,960	1,980,818	4,547,537	4,818,192
Adj. R-squared	0.437	0.569	0.356	0.464
Bank-province FE	Y	Y	Y	Y
Bank-security type FE	Y	Y	Y	y
Province-security type FE	Y	Y	Y	Y
Security-time FE	Y	Y	Y	Y
Bank-time FE	Y	Y	Y	Y
Province-time FE	Y	Y	Y	Y

This table reports OLS estimates. The dependent variable, *Hold*, represents the position (at market value and in logs) for security *i*, of type *r*, for bank *b*, in province *p*, at time *t*. *Eurosceptic* is a binary variable equal to one if the province had a share of votes for Eurosceptic parties higher than the mean in the 2014 EU elections. *Brexit* is a binary variable that equals one after the Brexit referendum. *UKStocks*, *UKGovBonds*, *UKOtherBonds*, and *UKFunds* are dummy variables equal to one if the security is a stock, a government bond, another type of bond, or a fund from the UK, respectively. Columns 1 to 4 include only observations for stocks (Column 1), government bonds (Column 2), other bonds (Column 3), and funds (Column 4), respectively. Standard errors are clustered by province, security type, and bank. T-stats are reported below in parentheses. ***, **, and * refer to significance at the 1%, 5%, and 10% levels, respectively.

Table A9: Distribution of UK and GBP securities in our sample

	GBP = 0	GBP = 1	Total
UK = 0	13,158,627	76,540	13,235,167
UK = 1	147,854	45,945	193,799
Total	13,306,481	122,485	13,428,966

This table shows the distribution of UK and GBP securities in our sample. *UK* is a dummy variable equal to one if the security has a UK ISIN. *GBP* equals one if the security is denominated in GBP.