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**TITLE: The relevance of network effects on the Central-Eastern European (CEE) stock market indices**

**ABSTRACT:**

This study examines the development of stock market indices in the open and small economies of Central-Eastern European (CEE) countries between 2008Q1-2022Q1. A panel vector autoregression model (PVAR) was estimated on a set of macro-data and time-variant closeness centralities to understand the role of network-effects. The time variance of closeness was achieved through quarterly re-estimation of a minimum spanning tree graph, representing the entire set of European stock markets (market-network). The sample covers the major events of the Global Financial Crisis and Eurozone sovereign debt crisis of 2008 and 2012, the COVID-19 pandemic after 2020. In this study, we estimated the development of stock market indices in relation to macro variables related to funding, foreign exchange, and profitability, which can affect the expectations about the discounted cash-flows of publicly listed companies. However, stock market indices decrease if the European market-network has a higher degree of synchronisation, leading to the temporary emergence of financial contagions. The findings indicate that stock market indices are primarily reacting on the traditional macro variables on short- and medium-run, but the changes in the network's shape can alter this process on the short-run. These results are underlining the occurrence of cheaper-than-fundamental entry points for value-based investors on these markets due to such contagion-driven excessive decrease in share prices.