STOCK MARKET LINKAGES AND THE GLOBAL FINANCIAL CRISIS: EVIDENCE FROM THE BRICS AND DEVELOPED MARKETS

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ABSTRACT: This study examines the linkages among the stock markets of BRICS (Brazil, Russia, India, China and South Africa) and the stock markets of U.S. and U.K. before and after the global financial crisis of 2008. Using daily closing prices of major stock indices of these countries from 1st January 2004 to 31st December 2013, the linkages are modeled using the correlation test and the Johansen’s co-integration test. It was found that both the short-term static and long-term dynamic linkages between the stock markets have strengthened after the crisis. This suggests that there are limited benefits of any diversification or speculative activities between these markets. Results of this study have implications for policy makers in responding to increasing financial interactions across borders.

KEYWORDS: Crisis, Co-integration, Market Linkages, Unit root test.

REFERENCES