

INTERDEPENDENCE OF WORLD STOCK EXCHANGES

Abstract

In the context of globalization, through a growing process of economic integration among countries and financial markets, the interdependency among major world financial markets is more than evident. This study attempt to empirically verify whether national stock markets are correlated or interdependent on each other and whether there is a transmission of shock from one market to another. Using the daily stock returns data for six sample market, the VAR analysis shows that there exists significant correlations and interdependence among the markets. Impulse responses show that shocks live for short time i.e. two to five days. Indian market takes more time to absorb the shocks in the foreign market, while other absorbs the same quickly.