

Abstract

In India where the stock market is undergoing significant transformation with liberalization measures, and the analysis of integration with other developed and emerging markets would not only give an idea of the possible gains of portfolio diversification from Indian market, but may also provide some indication of the vulnerability of the country's stock market in case of a regional financial crisis and consequent reversal of capital flows from the region. In the context the study examined the integration of the stock market among the BRIC (Brazil, Russia, India and China) economies and their integration with the developed countries stock markets such as US, UK and Japan, which can be analyzed by using the Johansen co integration and Error correction Mechanism methodology, based on daily data for the period January 2000- Aug 2011. The results of co integration shows co integration relationship found between BRIC countries and Developed countries namely USA, UK and Japan. The results of Error correction model reveal that Sensex, Nikkei225, FTSE 100, and Bovespa are significant. It implies that these markets share the forces of short run adjustment to long run equilibrium.