

**EQUIRITY MARKET CONVERGENCE AMONG THE BRIC
COUNTRIES**

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A project report submitted to the

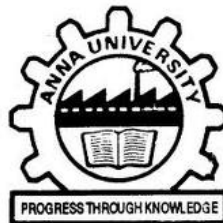
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ABSTRACT

This study is trying to understand the financial market convergence among four strong emerging markets namely, Brazil, Russia, India and China (BRIC). The dynamic nature of the long-run convergence process among the financial markets of these countries is tested using the Rolling and Recursive Cointegration technique. The rolling analysis gives a clear picture of the time varying nature of the convergence behavior in each sub period of the roll while the recursive analysis shows how sensitive the markets are and the feedback of the past behavior in the light of new information. The period of study is from July 2004 to December 2009, which covers the sub-prime crisis period.

The results give evidence in support to strong impact of the crisis on the relationship among these countries and with the US, the Euro region and the rest of the world markets. The study also reveals that there is no common trend among the BRIC countries and with the others for the whole period but the crisis period from Feb 2008 onwards reveals strong evidence of more than one common trend which indicate a very strong convergence behavior. A pair wise analysis establishes that the Chinese market is strongly related with the other BRIC countries and the US. The speed of adjustment in the period after the crisis shows stronger short run adjustment behavior compared to the earlier periods.