

THE PROLIFERATION OF JUMP RISK

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ABSTRACT

The study aims at examining thirty asset classes to identify the presence of jump risk. These asset classes consist of 12 equity markets, 6 currencies, 9 commodities and 3 bonds. The motivation of the study is to explain what triggers market jumps. We investigated news articles the day after major equity market jumps to evaluate the proximity cause, source for the period 1 January 2010 to 15 January 2021. The series of returns were subdivided into four series namely trading week minima, trading week maxima, trading month minima and trading month maxima. Further, we estimated the cumulative value of \$1 investment in the given asset classes. The paper concludes that the United States plays a significant role in global stock market performance, accounting for 30% of jumps in the global markets. This aligns with the theory of United states dominance in the world. Secondly for commodities market, the correlation of oil with other commodities was found significant, leading to spill-over volatility in commodities market.

Key words : Jump risk, monetary policy , stock market volatility , commodities market