

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

**TRIPTI NASHIER**

RESEARCH SCHOLAR,  
DEPARTMENT OF FINANCIAL STUDIES, UNIVERSITY OF DELHI.

---

**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 1<sup>st</sup> January 2004 to 31<sup>st</sup> 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**

- Awokuse, T. O., Chopra, A., and Bessler, D. A. (2009). "Structural Change and International Stock Market Interdependence: Evidence from Asian Emerging Markets," *Economic Modelling*, Vol. 26 pp. 549–559.
- Chen G., Firth M., Rui O. (2002). "Stock market linkages: evidence from Latin America," *Journal of Banking and Finance*, Vol. 26, pp. 1113-1141.
- Click, R. W., Plummer, M.G. (2005). "Stock Market Integration in ASEAN," *Journal of Asian Economics*, Vol. 16, No. 1, pp. 5-28
- Dickey, D. A. and W. A. Fuller, W.A. (1979). "Distribution of the Estimators for Time Series Regressions with a Unit Root," *Journal of the American Business Association*, Vol. 74, pp.427-31.
- Hsiao, C., Wang, Z., Yang, J., Li Q. (2006). "The emerging market crisis and stock market linkages: further evidence," *Journal of Applied Econometrics*, Vol. 21, No. 6, pp. 727-744.
- Johansen, S. (1988) "Statistical Analysis of Cointegration Vectors". *Journal of Economic Dynamics and Control*, Vol. 12, pp. 231-54.
- Johansen, S. and Juselius, K. (1990). "Maximum Likelihood Estimation and Inference on Cointegration with Application to the Demand for Money," *Oxford Bulletin of Economics and Statistics*, Vol. 52, pp. 169-209.
- Nieh, C. C. (2002) "The Effect of the Asian Financial Crisis on the Relationships among Open Macroeconomic Factors for Asian Countries," *Applied Economics*, Vol. 34, pp. 491-502.