

[DOI: 10.20472/IAC.2015.020.086](https://doi.org/10.20472/IAC.2015.020.086)

ANDREAS SAVVIDES

Cyprus University of Technology, Department of Commerce Finance and Shipping, Cyprus

WHAT DETERMINES EQUITY FLOWS BY INVESTMENT FUNDS TO EMERGING ECONOMIES?

Abstract:

This paper investigates the determinants of equity capital flows by global investment funds to emerging economies during 1998-2013. In particular, we investigate whether sovereign credit ratings, global push or domestic pull factors are important determinants of equity flows. We show that credit ratings are not significant as an indicator of equity flows to emerging economies when economic variables available to investors are included in the model. Of the economic variables, two are consistently significant determinants of equity flows: instability in international financial market as measured by the VIX index and US money growth. We find that increased instability reduces capital inflows while the growth of the US money base has spilled over (with a lag) into increased equity flows to emerging economies, especially during the period following the collapse of Lehman.

Keywords:

Equity Flows, Investment Funds, Emerging Economies

JEL Classification: F30, F65, G15