

[DOI: 10.20472/IAC.2017.030.023](https://doi.org/10.20472/IAC.2017.030.023)

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EQUITY MARKETS INTEGRATION IN ASIA

Abstract:

This study explores the Asian Emerging and Frontier equity markets, integrated regionally or globally. In undertaking the empirical analysis, data from twelve Asian equity markets indices are utilized. The study employed residual based co-integration test proposed by Gregory and Hansen (1996) and Detrended Cross Correlation Analysis (DCCA). Findings indicate, most of the Asian emerging equity markets integrated with global market, whereas most of the frontier markets integrated with the regional market. However, the results from DCCA are more explanatory. The results also reveal that integration in Asia region is not complete. Asia region has an economically potential and fastest growing in the world. However, there is still so much to unlock the full potential, and the one way to achieve this growth is to continue on the road of financial integration.

Keywords:

Financial Integration, Frontier markets, Detrended cross correlation analysis (DCCA), Gregory and Hansen co integration test

JEL Classification: G10, G11, G15