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IMPACT OF THE GLOBAL FINANCIAL CRISES ON THE MAJOR ASIAN COUNTRIES AND USA STOCK MARKETS AND INTER-LINKAGES AMONG THEM

Abstract:

This study set out to examine impact of the global financial crisis on the stock markets returns of China, Japan, India, and USA through E-GARCH model and further it investigates the nature of volatility spillovers between stock indices during the global financial meltdown using Granger Causality test. Daily stock prices are used for the period from 6th of January, 2006 to 22nd of April 2011. The main findings are as follows; in all stock markets high volatility and setback on the daily returns exist due to the financial crisis. Further the global financial crisis less affected China's stock exchange than the other stock markets whereas it influenced USA stock markets in large extent. Also stock returns volatility get moderated in the major Asian Countries stock markets after post crisis period but it has been remained in USA stock exchanges. Granger causality test shows that after the onset of the financial crisis, the USA stock markets have bidirectional influences on each other, but didn't receive any volatility spillover from major Asian Countries stock markets. Indian stock market receives volatility spillover from all the stock markets. Japanese stock market receives volatility spillover only from USA stock markets. Chinese stock exchange doesn't receive any volatility spillover from stock exchanges which examined in this paper.

Keywords:

Volatility Spillover; Financial crisis; China, Japan, India and USA Stock Markets; E-GARCH; Granger Causality.

JEL Classification: C58, F65, G01

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