CO-INTEGRATION IN THE EMERGING MARKETS
A CASE STUDY OF INDIA, SINGAPORE AND KOREA

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ABSTRACT

The relationship between the stock markets of the developed countries has been examined extensively in the literature. This study examines the interdependence of the three major stock markets in South Asia. Using daily stock market data from January 2001 to December 2011 we examine the stock market indices of India (BSE SENSEX), Singapore (STI) and Korea (KOSPI). The index level series are non-stationary and so we employ bi-variate and multivariate cointegration analysis to model the linkages among these stock markets. We found no cointegration between the stock market indices for the entire period and hence no long run equilibrium. We found mild causality for some years in the study though most of the time these markets have not been interlinked. The study has used. It should be borne in mind that the tests carried out only tests for presence or absence of linear relationships.

KEYWORDS: