FINANCE INDIA
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Vol. XXXIV No. 3, September 2020
Pages—1035—1043

Abstract of Doctoral Dissertation

Stock Market Spillovers : Evidence from BRICS Countries[1]

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I. Introduction

THE AMOUNT OF INFORMATION transmission from one market to another market is known as spillover effect. Spillovers may come from internal and external sources. There are two channels of such spillovers; one is return/ mean spillover, and another is volatility spillover.On the basis of restrictions on participation of foreign investors, markets all over the globe are divided into two categories; one, integrated markets, and second, the segmented markets (Bekaert and Harvey, 2002).The risk of a segmented market is measured by the state of domestic economy whereas the risk of an integrated market is measured by state of global economic environment. This thesis examines the volatility spillover effect, as well as return spillover effect among stock markets for BRICS countries. In addition to this, the study examines the impact of macroeconomic variables on stock markets for BRICS countries as well as the impact of regional indices and developed countries stock indices on the BRICS countries stock markets.

When two markets are integrated, volatility transmit from one market to the other, and thus these markets are impacted by state of global economy and funds flows among these markets. In addition to the return spillover effect, studies find the volatility spillover among capital markets (King and Wadhwani 1990, Kocaarslan 2017). Panda and Thiripalraju (2018) report limited diversification opportunity for investment from Brazil, Russia and India to China stock market.

1 The Thesis was submitted to University of Mumbai, SEBI Road, Raigad, Maharashta in December 2018, for the award of Ph.D. Degree awarded in June 2019, under the supervision of Dr. M. Thiripalraju, Former Director, Indian Institute of Capital Markets (IICM) and former Economic Advisor to Securities and Exchange Board of India (SEBI), Flat No-303, Balaji Residency, Sector 15, Nerul, Navi Mumbai, Maharashtra 400706, INDIA

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Submitted December 2019; *Accepted* July 2020

greater influence from foreign markets - the net transmitter and net receiver of the volatility of the stock market help to find out the diversification opportunity. The result of this study can be used for risk management, hedging and option pricing. These results provide insights to policy makers to create suitable regulatory framework, to global investors to devise knowledge-based investment and trading strategies for optimizing the value of their investments. The regulators may use the results of this study to formulate a policy which will prevent or limit such spillover and transmission from the country experiencing crisis. The foreign institutional investors may use the result of this study to find out diversification opportunities across stock markets.

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