

Mutual Switching Behavior between High Growth and Low Growth Economies' Stock Markets

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Abstract

Due to the evolutions in the financial markets, characteristics of markets have been changed. It has become important to discuss the markets which the fast and frequent fluctuations are observed among the regimes they belong to. There are two main purpose of the study. The first purpose of the study is to investigate whether mutual regime switching behavior exists in the selected equity markets. To investigate the importance of growth of the selected economies which the equity markets belong, is the second purpose of the study. Three regime multivariate Markov switching vector autoregressive (MSI(M)-VAR(p)) models are used to define common regime switching behavior of the indices calculated.

Keywords: Regime switching, Markov, Stock Markets, Nonlinearity