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**Liquidity, Liquidity Risk and Spillover:
Evidence from cross-country analysis**

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Abstract

We investigate the evolution of market liquidity risk and its spillover effect across 50 countries using daily data from 1995 to 2010. From recent financial crisis, liquidity becomes an important issue for both developed and emerging countries. Lee (2011) showed that liquidity risk premium vary significantly differently in international financial markets. By employing four different types of liquidity risk measures from Pastor and Stambaugh (2003) and Acharya and Pedersen (2005), we aim to estimate market liquidity risk correlations among global stock markets. Empirical results show that the market liquidity risks across countries are correlated and we also find out there are some evidence of directional impact existing from the correlation of market liquidity risks between developed and emerging countries. Our study is important for governments, securities exchanges officials, institutional and individual investors.

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