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Linkages Between the US and Three Asian Stock Markets

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Abstract

Abstract of thesis entitled "Linkages Between the US and Three Asian Stock Markets", submitted by Ye Jia (M-B0-5633-9) for the degree of Master of Social Sciences of Economics at the University of Macau in January 2013.

Stock market is considered a very important part of the financial sector and the whole economy. Throughout these years, on one hand, the world economy has experienced phenomenal growth and development; on the other hand, financial crises have appeared more frequently. Unlike the 1997 Asian financial crisis or 1998 Russian crisis before, in the 21st century, the crisis that this thesis concerned about started from the world's largest economy the US[1]. The US subprime mortgage crisis has rapidly spread throughout the whole world and left serious influences.

The thesis mainly examines how the economic crisis originated from the US stock market spread by contagion to other foreign markets and how the interdependence relationship between the US and three Asian stock markets, Chinese, Japanese and Hong Kong markets change in response to this crisis. The empirical results showed that both in the short-term and long-term, the US stock market have great positive effect on the Hong Kong market and this effect would become both statistically and

[1] Eun and Shim (1989) put forward that the changes of the US stock market could possibly affect other countries' market. This effect would even involve billions of stocks in value in a single day.

economically greater during crisis. Besides, in the long-term, the Hong Kong stock market showed effect back to the US market as well.

However, the case with China is much different from that of Hong Kong. In the short-run, there is no evidence showing that the US stock market has effect on the Chinese market, but in the long-run, the US stock market left negative effect on it and this effect would be economically reduced when during and after the crisis.

For the relationship between the US and Japan, in the short-run, the US stock market does have effect on the Japanese market before crisis but this effect is ambiguous and when during and after the crisis, this effect would become positive effect. In the long-run, like the case of that of with Hong Kong and China, the Japanese stock market also left a negative effect to the US market before the crisis. However, there is no evidence show such relationship still exist during and after crisis.

Following the empirical result, some suggestions are given.

Keywords: Economics Crisis, Stock Markets, Interdependence Relationships.

Declaration

I declare that this thesis represents my own work, except where due acknowledgement is made, and that is has not been previously included in a thesis, dissertation or report submitted to this University or to any other institution for a degree, diploma or other qualification.

Signed _____

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