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Abstract

This paper analyzes the volatility linkage across the U.S., European, German, Japanese, and Swiss equity markets from 1999 to 2009. Both the unconditional and conditional correlations exhibit large fluctuations during the sample period. The results from the VAR analysis show an asymmetric two-way relation between the VIX and other market volatility indices, in which VIX has a larger impact in both the tranquil and crisis times. The structure of the volatility correlation before and during the recent global financial crisis does not show significant changes. In addition, robust test results from realized volatilities confirm the results from implied volatility indices.

Key words: linkage, implied volatility, realized volatility

JEL Classification: G01, G14

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