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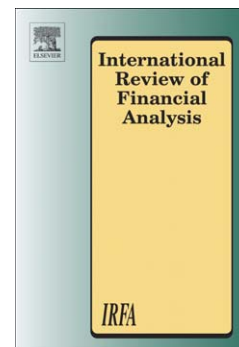
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Intra- and Inter-regional Return and Volatility Spillovers across Emerging and Developed Markets: Evidence from Stock Indices and Stock Index Futures.

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Abstract

In this study we provide empirical evidence on the patterns of intra- and inter-regional transmission of information across 10 developed and 11 emerging markets in Asia, the Americas, Europe and Africa using both stock indices and stock index futures. The main channels of contagion are examined in the period from 2005 to 2014 through the analysis of return and volatility spillovers around the most recent crises based on the generalized vector autoregressive framework. Our findings demonstrate that markets are more susceptible to domestic and region-specific volatility shocks than to inter-regional contagion. A novel result reported in our study is a difference in patterns of international transmission between models employing indices and futures data. We conclude that futures data provide more efficient channels of information transmission, because the magnitude of return and volatility spillovers across futures is larger than across indices. Our findings are relevant to practitioners, such as stock market investors, as well as policy makers to enhance their understanding of financial markets interconnectedness.

Key words: Generalized VAR; Stock Index Futures; Information transmission

JEL Classification: G15, G11

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