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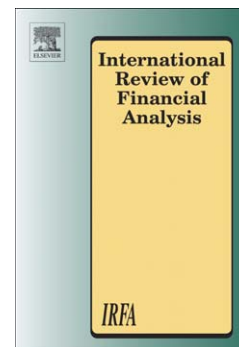
Global Commodities and African Stocks: A 'Market of One?'

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**Title:** Global Commodities and African Stocks: A „Market of One?“

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### Abstract

Owing to frequent fluctuations in global markets, diversifying across emerging markets is increasingly becoming a necessity. Despite this, a cloud of uncertainty surrounds the relative capacities of emerging markets to provide the required shields for international investors, especially during extreme market conditions. In this paper, we explore the relative potentials of African equities to provide opportunities for hedging and diversification for global commodity investors by using data of daily periodicity on close-to-close basis from January 3, 2003 to December 29, 2014. The findings indicate the presence of non-linear relationships between some African stocks and returns on global commodities. Thus, global commodity market investors react differently towards investment potentials in African stocks during tranquil and crisis periods. Additionally, from the mean-variance stand-point, we observe that including African equities in a diversified portfolio has the effect of lowering risk while simultaneously increasing expected returns. However, any such investment strategies may have to be informed by volatility persistence, as well as past and present market conditions.

**Key words:** African stocks, global commodities, diversification, mean-variance, hedging.

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