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Global investigation of return autocorrelation and its determinants

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ABSTRACT

We estimate global return autocorrelation by using the quantile autocorrelation model and investigate its determinants across 43 stock markets from 1980 to 2013. Although our results document a decline in autocorrelation across the entire sample period for all countries, return autocorrelation is significantly larger in emerging markets than in developed markets. The results further document that larger and liquid stock markets have lower return autocorrelation. We also find that price limits in most emerging markets result in higher return autocorrelation. We show that the disclosure requirement, public enforcement, investor psychology, and market characteristics significantly affect return autocorrelation. Our results document that investors from different cultural backgrounds and regulation regimes react differently to corporate disclosers, which affects return autocorrelation.

Keywords: Return autocorrelation, Global stock markets, Quantile autoregression model, Legal environment, Investor psychology, Hofstede's cultural dimensions

JEL classification: G12, G14, G15

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