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Authors: Mehmet Balcilar, Matteo Bonato, Riza Demirer, Rangan Gupta

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Geopolitical risks and stock market dynamics of the BRICS

Mehmet Balcilar[a,b,c,*], Matteo Bonato[d,**], Riza Demirer[e,***] and Rangan Gupta[b,****]

[a] *Department of Economics, Eastern Mediterranean University, Famagusta, via Mersin 10, Northern Cyprus, Turkey*
[b] *Department of Economics, University of Pretoria, Pretoria, 0002, South Africa*
[c] *IPAG Business School, Paris, France*
[d] *Department of Economics and Econometrics, University of Johannesburg, Auckland Park, South Africa*
[e] *Department of Economics and Finance, Southern Illinois University Edwardsville, Edwardsville, IL 62026- 1102, USA*

* *E-mail address:* mehmet@mbalcilar.net
***E-mail address:* mbonato@uj.ac.za
*** Corresponding author. *E-mail address:* rdemire@siue.edu
*****E-mail address:* rangan.gupta@up.ac.za

Highlights

- BRICS stock markets do not react to geopolitical risks (GPRs) in a uniform way.
- GPRs generally drive stock market volatility rather than returns.
- The effect of GPRs is particularly strong at return quantiles below the mean.
- Russia is the market most affected by GPRs, while India is the most resilient.

Abstract

This paper examines the effect of geopolitical uncertainty on return and volatility dynamics in the BRICS stock markets via nonparametric causality-in-quantiles tests. The effect of geopolitical risks (GPRs) is found to be heterogeneous across the BRICS stock markets, suggesting that news regarding geopolitical tensions do not affect return dynamics