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International Stock Market Leadership and its Determinants

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Highlights

- The study investigates stock market price leadership using a Markov switching causality model.
- We observe that trades openness increases price leadership.
- We conclude that markets and investors focusing substantially on country specific factors during crisis.
- The study supports the “wake-up call” hypothesis that reflects weaker lead–lag relationship during crisis periods,

Abstract

We study time-varying price leadership between international stock markets using a Markov switching causality model. We demonstrate variations in the causality pattern over time, with the US being the dominant country in causing other markets. We examine the factors which determine a country's role in the causal relationship. For country-specific factors, we show that trades

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