

Accepted Manuscript

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PII: S1042-4431(17)30424-9

DOI: <https://doi.org/10.1016/j.intfin.2018.02.012>

Reference: INTFIN 1026

To appear in: *Journal of International Financial Markets, Institutions & Money*

Received Date: 8 September 2017

Accepted Date: 22 February 2018

Please cite this article as: D. Sewraj, B. Gebka, R.D.J. Anderson, Identifying Contagion: A Unifying Approach, *Journal of International Financial Markets, Institutions & Money* (2018), doi: <https://doi.org/10.1016/j.intfin.2018.02.012>

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Identifying Contagion: A Unifying Approach[#]**Deeya Sewraj^a****Bartosz Gebka^a****Robert D. J. Anderson^{a*}**

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Abstract

We propose a new approach to identify financial contagion. Our method accounts for possible trends in market linkages, and allows a description of the contagion process over the crisis period. Results for a sample of 25 stock markets show that the impact of the 2007-9 crisis on domestic markets from financial shocks originating in the US was largely heterogeneous. Markets are found to experience the crisis differently, regardless of whether these effects are found to be contagious. Contagion was also less common than could be expected based on a more commonly employed model, which assumes constant market interdependencies within subperiods.

Keywords: Finance, Risk analysis, Stock markets; Financial contagion; Financial crises

JEL Classification: G0; G15

[#] The authors are grateful for helpful suggestions made by anonymous Reviewers and the participants of the 47th Money, Macro and Finance Annual Conference at Cardiff University, September 2015; Paris Financial Management Conference at IPAG Business School, December 2015; 14th INFINITI Conference on International Finance at Trinity College Dublin, June 2016, and of the research seminars at Newcastle University Business School and Hull University Business School. The usual disclaimer applies that all errors and omissions are entirely the responsibility of the authors.

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