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Scaling of the distribution of fluctuations of financial market indices

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Phys. Rev. E 60, 5305 - Published 1 November, 1999

DOI: https://doi.org/10.1103/PhysRevE.60.5305

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Abstract

We study the distribution of fluctuations of the S&P 500 index over a time scale Δt by analyzing three distinct databases. Database (i) contains approximately 1 200 000 records, sampled at 1-min intervals, for the 13-year period 1984–1996, database (ii) contains 8686 daily records for the 35-year period 1962–1996, and database (iii) contains 852 monthly records for the 71-year period 1926–1996. We compute the probability distributions of returns over a time scale Δt , where Δt varies approximately over a factor of 104—from 1 min up to more than one month. We find that the distributions for $\Delta t < 4$ d (1560 min) are consistent with a power-law asymptotic behavior, characterized by an exponent $\alpha \approx 3$, well outside the stable Lévy regime $0 < \alpha < 2$. To test the robustness of the S&P result, we perform a parallel analysis on two other financial market indices. Database (iv) contains 3560 daily records of the NIKKEI index for the 14-year period 1984–1997, and database (v) contains 4649 daily records of the Hang-Seng

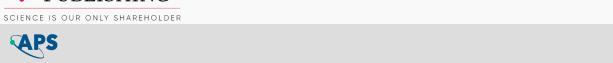
index for the 18-year period 1980–1997. We find estimates of a consistent with those This site uses cookies. To find out more, read our <u>Privacy Policy</u>.

describing the distribution of S&P 500 daily returns. One possible reason for the scaling

time scales longer than $(\Delta t) \times \approx 4$ d, our results are consistent with a slow convergence to Gaussian behavior.

<u>References (Subscription Required)</u>







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ISSN 2470-0053 (online), 2470-0045 (print).

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