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Dynamic Linkages Between the Greater China Economic Area Stock Markets—Mainland China, Hong Kong, and Taiwan

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Abstract

This research examines the linkages among three Greater China Economic Area (GCEA) stock markets, including Mainland China, Hong Kong, and Taiwan, and two developed markets, Japan and the United States. We find that: (1) a random walk model is outpredicted by an autoregressive GARCH model and an ARIMA model in all three GCEA markets; (2) the three GCEA markets are not cointegrated with either U.S. or Japan but there exists weak nonlinear relationships between these markets; and (3) result from the innovation accounting analysis reveals that the U.S. market has larger influence on the GCEA markets than the Japanese market. Additionally, Hong Kong is the most influential among the three GCEA markets.

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Additional information

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