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European stock market comovement dynamics during some major financial market turmoils in the period 1997 to 2010 – a comparative DCC-GARCH and wavelet correlation analysis

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Abstract

This article examines the comovement dynamics between the developed European stock markets of the United Kingdom, Germany, France and Austria. After applying a Dynamic Conditional Correlation-Generalized Autoregressive Conditional Heteroskedastic (DCC-GARCH) and wavelet multiscale analysis on a daily return series for the period 1997 to 2010, we found that (1) comovements between stock market returns are time varying and scale dependent; (2) financial crisis in the observed period did not uniformly increase comovement between stock market returns across all scales;

(3) the global financial crisis of 2007–2008 only slightly and temporarily increased the already high level of comovement between the observed stock markets.

Keywords:

DCC-GARCH wavelet analysis stock markets European stock markets comovements

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Notes

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