The European Journal of Finance ›
Volume 10, 2004 - Issue 3

Miscellany

Public information arrival and volatility persistence in financial markets

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Pages 177-197 | Published online: 19 Aug 2006

Cite this article https://doi.org/10.1080/1351847022000015812

Abstract

This paper explores the relationship between daily market volatility and the arrival of public information in four different financial markets. Public information is measured as the daily number of economic news headlines, divided in six categories of news. Statistical analysis of the news data suggests the presence of particular seasonality effects, as well as a strong degree of autocorrelation. Over the period 1994–1998, significant effects of specific news categories on the volatility of US stocks, treasury bills, bor ration – vary by news he volatility persister is included in th

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Notes

The Kolgomorov–Smirnov test is a distributional test. For a specific weekday (for example Tuesday observations), we compare the distribution of the actual observations with the uniform distribution in which the observations are the weekly averages from Monday to Friday.

The Kruskal–Wallis test is a one-factor ANOVA test performed on ranked data, instead of the original data. Ranking the data is useful if non-normality seems to be a problem.
