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Original Articles

The impact of sudden changes on the persistence of volatility: evidence from the **BRIC** countries

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Abstract

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¹This phenomenon is called volatility clustering, where in the situation of high volatility followed by higher volatility.

²See Purushothaman and Wilson (<u>2003</u>).

³See for example, Malik (2003), Malik and Ewing (2005), Fernandez (2006), Wang and Moore (2009) and Hammoudeh and Li (2008).

⁴To save space, we do not report the estimated dates of sudden changes in each market. The results are available from the author upon request. 36 change points were detected for the Brazilian stock market. The dates of sudden changes are mostly clustered around 1997 and 1998. The Asian and Russian financial crises occurred in 1997 and 1998, respectively. Hence, the results indicate that most of the changes in volatility in the Brazilian stock market were related to the occurrence of major economic events in Asia and Russia. The terrorist attack on 11 September 2001 also caused sudden changes in volatility. The rest of the changes in volatility are related to the local economic and political events. For the Russian stock market, 27 change points were detected. The dates of sudden changes are clustered around 1998, 2003 and 2004. The Russian market seems to be affected mostly by the local economic and political events. We also see the impact of the September 11th attack in 2001 on the volatility. As for the Indian stock market, 43 change points were detected. The break dates mostly fall into the period between 1991-1992 and 1995-1997. There is also a de for the sudden Chinese stly by the ne of the major gl findings dez (2008). ⁵Followi mine which affect break

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⁶ ARCH-LM tests were performed on the standardized residuals from the both GARCH models. The results of tests suggest no ARCH effects in the residual series from the models. The Ljung-Box statistics also reveal that there is no autocorrelation in the residual series.

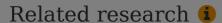
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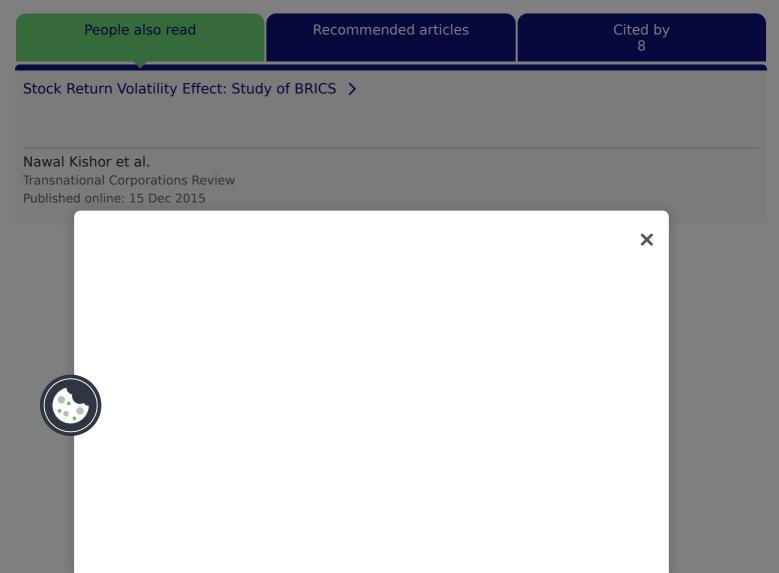
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