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FOREX and equity markets spillover effects among USA, Brazil, Italy, Germany and Canada in the aftermath of the Global Financial Crisis

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Abstract

In this paper we investigate the spillover effects of forex and equity markets in USA, Brazil, Italy, Germany, and Canada using daily data. Using AR-dialog BEKR model we tested for the contagion & co-movement effect in equity markets during the post financial crises period of 2010-2018. The estimated dynamic conditional correlations show the strongest contagion effects for the pairs of markets as follows: S&P500-BOVESPA, S&P500-FTSEMIB, S&P500-DAX30 and S&P500-S&PTSX. For institutions, multinational corporations, and active investors, a portfolio consisting of financial assets from the above markets is extremely risky.

Keywords: Financial contagion, Global financial crisis, AR-diagonal BEKK model, International equity market, Foreign exchange market
JEL Classification: G10

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