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An Examination of Volatility Spillovers Across Commodity and Stock Markets/ Emtia ve Hisse Senedi Piyasalarında Volatilite Yayılımı Üzerine Bir İnceleme

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ABSTRACT

Increasing volatility in commodity markets in the last two decades and the inclusion of commodities to financial portfolios may create volatility linkages between commodity and equity markets. The existing studies which examine this subject mainly concentrate on the market linkages between US stock market and commodity markets. The studies focus on emerging and frontier stock markets are rather limited. To fill this gap in the literature, this paper investigates the nature of market linkages and volatility spillovers between selected commodity (precious metals and energy) and emerging and frontier equity markets by employing daily data over the period of 2000 – 2017 using multivariate GARCH models. Understanding the price behavior and volatility transmission mechanism across the markets is important for market participants including traders, portfolio managers and regulators..

KEYWORDS Volatility; commodity markets; developing markets; GARCH

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