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Testing for Stock Market Contagion: A Quantile Regression Approach

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Abstract

Regarding the asymmetric and leptokurtic behavior of financial data, we propose a new contagion test in the quantile regression framework that is robust to model misspecification. Unlike conventional correlation-based tests, the proposed quantile contagion test allows us to investigate the stock market contagion at various quantiles, not only at the mean. We show that the quantile contagion test can detect a contagion effect that is possibly ignored by correlation-based tests. A wide range of simulation studies show that the proposed test is superior to the correlation-based tests in terms of size and power. We compare our test with correlation-based tests using three real data sets: the 1994 Tequila crisis, the 1997 Asia crisis, and the 2001 Argentina crisis. Empirical results show substantial differences between two types of tests.

Date: **14 December, 2015 (Monday)**
Time: **15:00~16:30**
Venue: **Faculty of Business Administration, E22-1008**

A Short Biography of Prof. Sung-Yong PARK

Prof. Sung-Yong PARK obtained his Ph.D. of Economics from the University of Illinois at Urbana-Champaign in 2007 and now is an associate professor in the School of Economics at Chung-Ang University at Seoul, Republic of Korea. His research interests include Econometric Theory, Applied Econometrics, Financial Econometrics and Empirical Finance. He has published papers in Journal of Econometrics, Econometric Reviews, International Journal of Forecasting, Economics Letters and so on.

ALL ARE WELCOME!