

Long-Run Relationship among Tehran Stock Exchange and the GCC Countries Financial Markets, Before and After 2007/2008 Financial Crisis

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Abstract : This study attempts to investigate the relationship between stock market of Iran and GCC countries stock exchanges. Eight markets were included: the stock market of Iran, Kuwait, Bahrain, Qatar, Saudi Arabia, Dubai, Abu Dhabi and Oman. Daily country market indices were collected from January 2005 to December 2010. The potential time-varying behaviors of long-run stock market relationship among selected markets are tested applying correlation test, Augmented Dick Fuller test (ADF), Bilateral and Multilateral Cointegration (Johansen), and the Granger Causality test. The findings suggest that stock market of Iran is negatively correlated with most of the selected markets in the whole duration. But contemporaneous correlations among the eight selected markets are increased positively in period of financial crises. Bilateral Cointegration between selected markets suggests that there is no integration between Tehran stock exchange and other selected markets. Among other markets, except the stock market of Dubai and Abu Dhabi as a one pair, are not cointegrated in whole, but in duration of financial crises integration between selected markets are increased. Finally, investigation of the casual relationship among eight financial markets suggests there are unidirectional and bidirectional causal relationship among some of stock market indices.

Keywords : financial crises, Middle East, stock market integration, Granger Causality test, ARDL test

Conference Title : ICEBFM 2015 : International Conference on Economics, Business, Finance and Management

Conference Location : Rome, Italy

Conference Dates : September 17-18, 2015