Are the BRIC Equity Markets More Interdependent After the Global Financial Crisis?
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Abstract

The recent global financial crisis has attracted the world in current periods. The global financial crisis set off by the sub-prime credit crisis in the US has destabilized the financial markets. The financial turmoil that engulfed the US during 2007-09 began in the mortgage lending markets. The crisis has surged across national borders within the developed world, and now there are some reasons which has alarmed that the crisis will swamp other developing countries, affecting the significant economic progress of recent years. The purpose of this paper is to examine whether the BRIC stock markets are interrelated after the financial crisis. Engle Granger ADF test is used to investigate long term relationship between Indian and other counterparts. Engle Granger causality test is used to examine the short run dynamic relationship between the stock markets. There were no long-run relationships between the stock price indices of India and its BRIC trading partners before and after the global financial crisis except Brazil. Second, in terms of short – run movements of BRIC stock market returns, there is bidirectional Granger causality exists between India and Brazil, and India and China for the full sample period and the pre-crisis period but not in the post crisis period. However, in the short-run the scope of these opportunities is rather limited due to global financial crisis which are inherent to stock markets as evidenced by the causality test results.

Key words: Global Financial Crisis, Granger Causality