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Title of Thesis: Stock Market Integration and Efficiency:
A study of Selected World Markets

Abstract

The issue of intercontinental portfolio diversification is of vital importance to the investors. In the present era of globalization as all economies are functioning in liaison with others it is very important to study the integration and efficiency for stock market in the developing as well as developed countries too. In recent years the fast moving emerging economies attracted the attention of both the practitioners and the academicians. Plentiful work has been done in past on stock market integration and efficiency unconnectedly using various world markets and their indices. However, efforts are insufficient when it comes to addressing the research issues that combines both integration and efficiency of developed as well as developing stock markets. Hence, the field of study combining both integration and efficiency stresses more investigation. As the review suggests the results as concluded by various researchers on the same issue are contradictory in nature. Therefore, it is essential to approve or disapprove the existence of integration and efficiency in stock markets internationally with special indication to the recent financial crisis. This inclusive work is imperative for policy making to develop efficient portfolio management policy. The broad objective of this study is to fill the gap of research work on a combined issue of stock market integration and efficiency and present a path that will be helpful for both practitioners and academicians to delve into this field of study.

This study brings into picture the co-integration shifts felt by the stock markets of the selected countries. The selected markets refers to a selected group of twelve developing countries, namely

Australia, Brazil, Germany, USA, England, South Africa, Pakistan, Japan, Russia, India, China, Israel. Together, these countries give a perfect mix of developing and developed world.

It was concluded that there does exist a long-term relationship among the stock markets under study. It can be said that the present time-series data is co-integrated for the total-period as well as for all the sub-periods. It was also evident that the level of cointegration was higher during period-II and Period-III, means just before and after the global recession the markets were highly integrated. The causality test results indicated that there has been a mixed cause and affect relationships among the markets barring a few dormant markets which have not shown any such relation during the period of study.

As was identified earlier the selected world markets have remained integrated throughout this period of study, which implies that international diversification is irrelevant in this case. We have seen the levels of integration and efficiency going hand in hand or so closely showing the same trend over the period of his study, which shows that with the increase in integration we have seen increased efficiency also.