International Transmission of Stock Market Movements for Turkey, U.S., England, Germany, Japan

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Abstract: *The degree of integration of financial markets around the world increased significantly during the late 1980s and 1990s. While international financial markets have become progressively interdependent, international spillover effects have broadly been considered around the world recently. This paper investigates international transmission stock market movements by co-integration testing, Granger causality testing and Vector auto regression (VAR) system. We examine international spillover effects between the major developed markets (U.S., England, Germany, and Japan) and the emerging markets (Turkey). Consequently, we find co-integration in almost all of the cases under %1 confidence interval. On the one hand, according to the results of the Granger causality tests, there are causality from Turkey stock market to US, Germany and Japan stock markets, from US. Stock market, from England stock market to US, Germany and Japan stock markets. There isn't causality from Japan stock market to others stock markets. By the result of VAR analysis, all markets affected mostly their own shocks. On the other hand, US Stock market explains with the highest ratio of 16.50% England stock market with the forecast error variances at the end of the 3-day period and Germany stock market explains with the high ratio of 3.27% England stock market with the forecast error variances at the end of the 18-day period. Finally, there is low interaction between all other stock markets included in analysis.*

Keywords: *Stock markets, Co-integration testing, Granger causality testing, Vector auto regression (VAR) system.*