

Exploring the Impact of Systematic Risk on the Correlation of Returns and Risks across Capital Markets

Chun-Chou Wu*

*School of Accounting, Fujian Jiangxia University
Fuzhou, China*

Abstract: This paper examines how systemic risk events have affected the correlation of returns and risks among major Asian stock markets during different periods. The empirical results show that after the Brexit referendum, the correlation of returns among Asian stock markets increased. In contrast, the negative systemic risks of the COVID-19 pandemic and the Russia-Ukraine war led to a decrease in the correlation of returns between major stock markets. Regarding the changes in the risk correlation among various stock market portfolios in Asia, similar results to return correlations are generally observed.

Keywords: GARCH-DCC Model, CARR-DCC Model, Risk Correlation, Return Correlation

JEL Classification Number: JEL: C4, C8, G1, G110

* Corresponding author. Email: 3064584153@qq.com or wucc123@seed.net.tw