

Cointegration Relations Between Turkish and International Equity Markets and Portfolio Choices

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Abstract

In this study monthly equity index values of twenty two emerging and twelve developed markets are used for the determination of cointegration relations developed by Johansen. The results of cointegration analysis show that Turkish stock market is cointegrated with seven developed and five emerging markets. After determining the integrated equity markets, different international portfolio scenarios are created by using Markowitz mean-variance model. These findings suggest that Turkish portfolio managers are able to monitor their asset allocations and minimize risks if they obtain a better understanding of how emerging and developed equity markets are integrated.

Keywords: Cointegration, Emerging Markets, Developed Markets, Portfolio, ISE.

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