Volatility Spillover Effect from Volatility Implied Index to Emerging Markets

Turhan KORKMAZ*
Emrah Ismail ÇEVİK**

Abstract

This study has investigated the effect of VIX, created as an implied volatility in the US, on 15 emerging stock markets with the application of GJR-GARCH model. According to the results obtained, the emerging stock markets have leverage effect in conditional variance and emerging bad news concludes that volatility further increases. The results of the analysis show that implied volatility index affect Argentina, Brazil, Mexico, Chili, Peru, Hungary, Poland, Turkey, Malaysia, Thailand and Indonesia stock markets through volatility increases.

Keywords: Implied Volatility, Spillover Effect, GJR-GARCH Model, Emerging Markets

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* Professor, Zonguldak Karaelmas Üniversitesi
** Research Assistant- Zonguldak Karaelmas University