

Estimation of Long-run and Short-run relationship during pre-and-post COVID 19 Pandemic outbreak: A Time series analysis of QUAD Nations' Stock Market

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Abstract

The current study examines the stock market performance of QUAD nations. The aim of the research is to assess the long-run and short-run interaction amid the stock markets of QUAD nations before and after the COVID 19 Pandemic breakout. The research uses daily adjusted closing stock index values of four nations from April 2017 through March 2022. The observations of the stock indexes were checked for stationarity using the ADF and PP unit-root tests. The stock indexes were integrated at the first level. The break-point unit root test reveals a structural break occurred on March 23, 2020. When the entire data set is examined, the cointegration result shows no long-run relationship exists between these markets. However, the test shows that there was a cointegration relationship between these markets before to covid-19 but not after covid-19, indicating that the COVID-19 outbreak interrupted the relationship established between these markets.

JEL Code : C32, C51, G15, G32

Keywords : QUAD; Cointegration; Granger causality; Vector Error Correction; Impulse Response; Stock Market; Covid-19; Scrips; QUAD

I. Introduction

FINANCIAL MARKETS ARE at the core of any country's economic development. Cross-border financial integration is commonly thought to benefit an economy by lowering asset trading costs and expanding portfolio diversification choices (Timsina and Culas, 2022). "QUAD" abbreviated as the Quadrilateral Security Dialogue is named after the presence of the four countries namely Australia, the United States, Japan, and India. Over the years, there has been too many discussions and recommendations to strengthen this inventiveness as a "minilateral" alliance of more colloquial

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