# CO-MOVEMENT IN ASIAN EQUITY MARKET

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# ABSTRACT

The main objective of this study to examine the short and long-term price linkages among Asian equity markets in the period surrounding the recent Asian economic, financial and currency crisis. The selected bourses and indices are Kuala Stock Exchange Composite Index (KLSE CI), Tokyo Stock Exchange (Nikkei), Hong Kong and Stock Exchange (Hang Seng) and Australia Stock Exchange (Australian All Ordinaries). The fluctuations of price indices are very important to the investors. This will enable them to forecast or predict the future movement of the price indices. There are many factors that affect the fluctuation of price indices. Among the factors are the stability of economic and politic, organization and restructuring, new issues, rumors, behavior of investors, performance of other exchange and other related factors. Some of the factors are difficult to quantify in order to be used for forecasting. Price indices are quantified factor; it is used in this study to see the relationship among Asian equity market. The price indices used to formulate hypothesis that will indicate the relationship. The data employed in this study is composed of value weighted equity market indices for four Asian markets namely, Malaysia, Japan, Australia and Hong Kong. Three of these markets are categorized as 'developed markets'; Hong Kong, Japan and Australia while Malaysia known as 'emerging market'. The data collected were the daily closing indices of the selected indices for a period of four years from January 1997 to December 2000. Unit Root test, Cointegration test, Error Correction model and Granger Causality test, are conducted to examine relationships among these markets. The result indicates that there is a stationary long-run relationship and significant short-run causal linkage between the Asian equity