



**INTER MARKET CORRELATION IN DIFFERENT
STOCK MARKET CONDITION FROM
1997 – 2007**

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ABSTRACT

This study present co integration research on Malaysian market with other country market. This study wants to look at how strong Malaysian market correlate and move together with other market. This is important in order to seek for diversification benefit. Secondary data being used for this study are monthly world indices for ten year period. This study concentrated on the 21 country chosen from four major market, which is developed, developing, emerging and OIC market. Five countries were selected from each sector for portfolio diversification. This study is conducted by using E-Views 3 software in order to conduct Vector Auto regression (VAR) and Co integration test. This software also important to calculate correlation co efficient, covariance, mean return and standard deviation. Based from the study done, it is found that Malaysia market has high volatility during recession period but the mean return is low. However, during the recovery period Malaysian market also volatile but the mean return is negative. This shows that Malaysia market is affected during the recession period. Malaysia market also has high correlation with other country market over the ten years period. Furthermore, Malaysia market also moves together with other market so diversification benefit is not so wide. However, investor can make their decision based from co integration result and Vector Auto regression (VAR) method for diversification because it can give information for investor which market is highly correlate and move together with other market and which is has low correlation.