

Do Developed Markets affect Emerging Markets? Evidence from the Gulf Cooperation Council

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In this paper, we employ a Multivariate GARCH model to study volatility spillovers among two developed markets (US and UK) and six emerging markets, namely, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. We find strong evidence of local shocks and persistent volatility in all markets under estimation. Interestingly, we did not find evidence of shocks or volatility spillovers from the US and the UK to all GCC stock markets, but there is evidence of shocks and volatility spillover among the GCC stock markets. These results may be due to the restrictions that eliminate the ability of foreign investors to trade in GCC stock markets.

Keywords: Stock returns, volatility spillovers, multivariate GARCH models, GCC region

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