

Return Spillovers Among Equity Markets with Relate to Covid-19 Pandemic: Evidence from Asian Region

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ABSTRACT

Introduction: This study aims to investigate equity market return spillover effects among three Asian countries Namely, Sri Lanka, China, and India.

Design/Methodology/Approach: The weekly closing prices were considered from the period starting from January 2015 to December 2021. This study uses the VAR and GARCH models to investigate spillover effects among the selected three equity markets.

Findings: In the pre-pandemic episode there is a Uni-directional spillover flowing from China to Sri Lanka and own return spillover effects from Sri Lanka. This result has been confirmed by both VAR and GARCH model and further by Granger Causality test. When analyzing the results during the pandemic, there are significant statistical evidence for Uni-directional return spillover flowing from China to India according to both models employed in this study.

Conclusion: When analyzing pre-pandemic and during pandemic, China shows strong influential impact towards the other Asian equity markets under study implying that other countries' returns are dependent upon the return of Chinese stock market. India and Sri Lanka do not show any influence towards other equity market.

Keywords: *Stock Returns, Spillovers, GARCH, Asian Countries, COVID-19, VAR*