

FINANCIAL MODELING AND SIMULATION

Analyses of Extreme Events on Emerging Capital Markets

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This study deals with the statistical methods of contagion-effects on emerging capital markets. Power-law distributional, inverse statistical and our cross-market correlation sensibility test were used on time series (2002-2009) of Hungarian, Russian and US government bond, stock and currency markets to study their behavior under extreme and normal circumstances. The aim of this analysis is to identify the possible differences between emerging and developed capital markets to validate economic axioms according to the relation of bond, stock and currency markets.

Keywords: power-law test, cross-market correlation, inverse statistics