STOCK RETURN VOLATILITY AND COINTEGRATION OF U.S. AND ASIAN MARKETS IN ACCORDANCE WITH THE FINANCIAL CRISIS (1997-2014)

THESIS

Presented as Partial Fulfillment of the Requirements

For Degree of Sarjana Ekonomi (S1) in Management Program

Faculty of Economics, Universitas Atma Jaya Yogyakarta

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FACULTY OF ECONOMICS

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I, Yeffi Hadi Winata hereby declare that I compiled the thesis with the following title:

"STOCK RETURN VOLATILITY AND COINTEGRATION OF U.S. AND ASIAN MARKETS IN ACCORDANCE WITH THE FINANCIAL CRISIS (1997-2014)"

Is really my own thinking and writing. I fully knowledge that my writings does not contain others' or part(s) of others' writing, except those that have been cited and mentioned in the references.

Yogyakarta, November 12th, 2014

Yeffi Hadi Winata

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STOCK RETURN VOLATILITY AND COINTEGRATION OF U.S. AND ASIAN MARKETS IN ACCORDANCE WITH THE FINANCIAL CRISIS (1997-2014)

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ABSTRACT

Nature of the stock return is one of the important aspect for investor in making their decision to invest their money. The nature of stock could be examined by using three variables, consist of volatility, risk premium, and information asymmetry.This research will used E-GARCH and ARCH-M models, using the data from five counties whichi consist of U.S., Indonesia, Malaysia, Japan, and Hong Kong. These data was taken from 1st July 1997-30th June 2014 which consist of eight periods of global economic events Periods. This research was conducted with seceral objectives, they are: (1) To analyze the effect of global economic conditions to stock return.(2) To investigate the effect of global economic conditions to risk premium. (3) To examine the impact of good nor bad news (asymmetric information) effect to the volatility of stock. (4)To analyze the co-integration between US market and four Asian markets during the global economic events (financial crisis).

Keywords: Volatility, Risk Premium, Information Asymmetry, Co-integration, Global Economic Events