

Volume 30, Issue 4**Research Announcement****Long-run relationship among latin america stock markets and the us - impacts of the 2007/2008 crisis**

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Abstract

The 2007-2008 subprime crisis has raised once more the interest on international market integration. Empirical studies show that the comovement patterns of national stock markets change significantly after major economic events like crises. The aim of this paper is to investigate the potential time-varying behavior of long-run stock market relationships among Latin American countries and the United States employing the Engle-Granger methodology. In order to do that, we will investigate four Latin America emerging capital markets (Brazil, Argentina, Chile and Mexico) and the United States, considering the period of the recent financial crisis of 2007/2008, testing for cointegration before, during and after the crisis period. Our results show that Latin American equity markets seem to respond differently to shocks in the US stock markets in the long-run. This information provides evidence that, for international diversification, each country should be analyzed individually. Analyzing Latin America as a group could lead to mistaken conclusions about international diversification opportunities.

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