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Measuring stock market volatility in oecd economy

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Abstract

The paper applies Markov Regime Switching Model (MRSM) to investigate the volatility behaviour of seventeen OECD stock markets (U.S.A, France, Ireland, Italy, Netherlands, Spain, Denmark, Norway, Sweden, Switzerland, UK, Australia, Japan) for the period 2004-2010. The results distinguish between two different regimes for the OECD: first corresponding to low mean-high volatility and the second characterized by high mean-low volatility. The results show that the periods of high volatility generally coincide for all stock markets and this can be attributed to several economic and political events that took place in the developed markets during the period under investigation.

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