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The Dynamic Behavior Of Turkish Stock Market Before And After Lehman Collapse

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Abstract

Lehman Brothers slump was taken as base point and changes in pricing mechanisms of BIST100, MSCI EM and Dow Jones were tried to be understood before and after crisis. While daily closed data was used, VAR, Impulse Response, Variance Decomposition and Granger Causality tests were used. According to results, Turkish markets are weaker than other developing countries and react more quickly to negative developments and Dow Jones returns have more explanatory power over BIST100 returns with respect to MSCI EM in pre-crisis period. In post-crisis period, volatility of Turkish markets decreased much more than other developing countries due to inherent growth dynamics. In addition, the influence of MSCI EM in pre-crisis period over Dow Jones is not effective, but in post-crisis period has become more effective. This can be regarded as a sign of an increase in dominance of developing countries in global economies in post-crisis period.

Keywords: Lehman Brothers, VAR, Impulse Response, Contagion Effect, MSCI EM, BIST100