THE EFFECTS OF FOREIGN COUNTRIES' STOCK MARKETS ON THE BEHAVIOUR OF TURKISH STOCK MARKET IN 2008 FINANCIAL CRISIS AND PREDICTABILITY OF RETURNS

Ridvan Zileli[a,b]
Zafer Konakli [a]

a International Burch University

b Corresponding author

ABSTRACT

In today's world, the relationship between the politics of governments and financial markets gradually increases. The process of globalization plays a supporting role in the acceleration of this relationship. The best example of this is the parallel politics politically followed by developing and developed countries and the existence of a directly proportional relationship among capital markets. The importance of stock market among capital markets is an indisputable truth. Therefore, interpretation of stock exchange values' relationship between developed and developing countries, and analysis of the tendencies of long-term stock market index profits and their relationships with each other especially in crisis periods have a great importance for economists and investors. This work's aim is to examine the effects of developed and developing countries' stock markets on Istanbul Stock Exchange. These effects are analysed in three periods using monthly index data. Stock markets belonging to developed countries such as DJI, GDAXI, N225 and stock markets belonging to developing countries such as HSI, BIST100, RTSI, BSESN, BVSP are included in this analysis. Effects of other stock markets on BIST100 are approached in three periods: pre-crisis period (2002-2007), crisis period (2007-2011) and post crisis period (2011-2015). Data are obtained using finance.yahoo.com website. VAR method is used in this work. Result of the work reveals that the interaction of BIST with BRIC countries, which are accepted as the stock markets of developing countries, was more in the pre-crisis and crisis periods while it showed an increase in post crisis period. It is deduced that BIST 100 has been a profitable but risky market in both pre and post crisis periods, and has been gradually reducing its predictability.

Keywords: BIST100, Stock Market Integration, VAR Method, Develop Stock Market.