LONG MEMORY IN RETURNS AND INTEGRATION: THE CASE OF EMERGENT STOCK MARKETS

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Abstract: *This paper presents empirical results suggesting that stock markets integration had a positive impact on the informational efficiency of twenty emergent stock markets during the period 1999-2013. The Generalized Hurst exponent assesses the efficiency, while integration is measured by the explanatory power of a number of global factors for the individual country's stock market returns. Additionally, we have noticed that during the global crisis, while stock market integration is increasing, the phenomenon of persistence in returns tends to manifest itself with greater intensity. Despite this, the more integrated markets are the least affected in terms of efficiency. This result supports the positive effect of financial liberalization even during the turbulent periods of financial crisis.*
Key words: *informational efficiency; market integration; Hurst exponent; global financial crisis; emergent stock markets*
JEL Classification: *C13; G14; G15*

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