

Abstract

The thesis offers a study on the stock market volatility in the countries of Central Eastern Europe and South Eastern Europe. We provide a univariate GARCH modeling of the stock market indices PX, BUX, and WIG from the CEE region and CROBEX, BELEX-15, and MBI from the SEE region.

Additionally, we present a bivariate GARCH models in order to examine the volatility transmissions and spillovers from the European equity market to the equity markets in CEE and SEE.

Our results suggest higher persistence of volatility in the CEE countries than in SEE countries, significant leverage effect more evident in the CEE region than in the SEE region, and high synchronization in the volatility between the CEE equity markets and the European equity market.

The multivariate GARCH results reveal certain statistically significant but small volatility spillovers from the European equity market to the equity market in Hungary, Poland, Serbia and Republic of Macedonia. The CEE equity markets record higher conditional correlation coefficient than the SEE countries towards the European equity market.

In general, the CEE equity markets are a relatively homogenous group in terms of volatility, while the SEE equity markets are a diversified group in terms of volatility with low synchronization and correlation with the European equity market.