

Abstract

The referendum organised in United Kingdom on June 23rd, 2016 led to an unexpected decision to leave the European Union. Since Brexit announcement, uncertainty about the economic prospects of the United Kingdom and of the EU has increased, and multiple research has been conducted to estimate the economic implication of Brexit for the UK as well as for the rest of Europe. The thesis addresses this topic from the point of view of financial markets correlation, and assesses how did the Brexit announcement and the outcome of the 2016 referendum influenced the cointegration of the UK stock market with those of continental Europe.

Using a multivariate DCC-GARCH model, and European stock markets data, the thesis concludes that correlation of UK and European stock markets decreased since the referendum announcement, and further decrease has been observed after the vote took place.

JEL Classification: C01, C39, D89, F15, F30, F36, G19

Key words: Brexit, uncertainty, stock market cointegration, European Union, financial markets

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