

A re-examination of the calendar anomalies during the Asian financial crisis: Some empirical evidence from the closure test principle and the EGARCH- mean model

Abstract

The Asian financial crisis was a remarkable financial crisis that hit many East Asia economies and prompted large financial bailouts. The financial crisis started in Thailand in July 1997 with slumping currency, devalued stock market and other asset prices. Indonesia, South Korea, Hong Kong, Malaysia and the Philippines were also hurt by the slump due to financial contagion. The financial crisis also put pressure on the United States, as its market was severely hit in October 1997. The movement of the major Asian indices and the Chicago Board Option Exchange (CBOE) Volatility Index (VIX), which is often referred to as the fear index, are plotted in Figure 5.1. As seen in Figure 5.1, the financial markets were calm from June to early October 1997, with major indices in a decreasing trend. However, the crisis changed the trend, the markets became extremely volatile and stock prices of a few markets dropped significantly towards the end of October 1997.