

Volume 28, Issue 4**Research Announcement****Financial Integration and Interenational Portfolio Diversification : A
Multivariate Analysis**

AROURI Mohamed El Hedi
MODEM Université Paris X Nanterre

Abstract

In this article, we extend the conditional ICAPM of De Santis and Gérard (1997,1998) using an asymmetric multivariate GARCH specification. This approach, with double asymmetric effects, allows to the risk premia, betas and correlations to vary through time. Then, we investigate ex ante benefits from world market diversification. The evidence supports the financial integration hypothesis and suggests that investors from all countries could expect statistically significant benefits from international diversification but that gains are considerable larger for investors with smaller home markets.

Completed draft available on request from:

AROURI Mohamed El Hedi
MODEM Université Paris X Nanterre
mohamed-el-hedi.arouri@u-paris10.fr
200, Avenue de la république
Nanterre, 92001, france
0624241109(Phone)

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