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## **The Integration of Capital Markets: An Examination of Macroeconomic Shocks and their Effects on National Stock Market Comovements**

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Poster Presentation 22

**THE INTEGRATION OF CAPITAL MARKETS:  
AN EXAMINATION OF MACROECONOMIC SHOCKS AND THEIR  
EFFECTS ON NATIONAL STOCK MARKET COMOVEMENTS**

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Traditionally, international investors seek to determine whether international capital markets are integrated or segmented. That is, do similar assets yield similar risk-adjusted returns, or significantly different returns given certain informational and capital flow barriers? With this in mind, this research chooses to focus on the rapidly developing financial markets of Southeast Asia and determine the degree to which international stock market movements may be correlated with each other. Through panel data and OLS regression analysis, the research will show an increasing correlation between these capital markets over time, and the significant impact certain macroeconomic variables may have on capital markets. Included in the analysis are the effects of capital flow barriers, economic development, exchange rate regimes, and discount rate differentials.