

Co-movements and Interactions between Segments of Parallel Markets: The Case of the Czech Republic

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Abstract

In the present paper we concentrate on interactions, co-movements and the sharing of information signals between the organized (and parallel) markets in the Czech Republic. In particular, the lead-lag relationship between the Prague Stock Exchange (PSE) and the RMS (over the counter system) is studied to identify the leaders and followers in the information transmission process.

The analysis shows that the PSE holds the leading position in the the main market of actively traded stocks, but the RMS dominates on segments with lower liquidity. These links did not exist during the early history of both markets, and they have become stronger as time proceeds. The analysis of the intra-market relations also confirms that liquid segments play a leading role in both the PSE and the RMS.

Due to the fact that some links between parallel market segments are missing, we conclude that the PSE and the RMS do not yet behave as a fully integrated market.

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Abstrakt

Tento článek studuje interakce a informační toky mezi paralelní i kapitálovými trhy v České republice. Speciálně je studován vztah dominance mezi Burzou cenných papírů Praha (PSE) a RM-Systémem (RMS), abychom určili, který trh dominuje v informačních tocích a ovlivňuje vývoj budoucích cen na paralelním trhu.

Provedené analýzy prokázaly vedoucí úlohu hlavního trhu PSE pro aktivně obchodované akcie. Na druhé straně se ukazuje dominantní pozice RMS na segmentech trhu s nízkou likviditou. Je zajímavé, že tyto vazby neexistovaly na počátku, a během času zesilují. Analýza interakcí mezi segmenty téhož trhu opět potvrdila, že segmenty s vyšší likviditou mají vedoucí pozici na obou trzích.

Nicméně mezi některými segmenty PSE a RMS neexistují dostatečné vazby, a tím pádem zamítne hypotézu, že by se tyto paralelní (PSE a RMS) chovaly jako jeden integrovaný trh.

Keywords: co-movements of financial markets, emerging markets, Granger causality, integration of emerging markets, lead-lag relationship.

JEL classification: D40, E44, G12, G14.