Directional and bidirectional causality between U.S. industry credit and stock markets and their determinants

Syed Jawad Hussain Shahzad, Safwan Mohd Nor, Shawkat Hammoudeh, Muhammad Shahbaz

PII: S1059-0560(16)30202-7
DOI: http://dx.doi.org/10.1016/j.iref.2016.10.005
Reference: REVECO1305


Received date: 15 May 2016
Revised date: 11 October 2016
Accepted date: 12 October 2016

Cite this article as: Syed Jawad Hussain Shahzad, Safwan Mohd Nor, Shawkat Hammoudeh and Muhammad Shahbaz, Directional and bidirectional causality between U.S. industry credit and stock markets and their determinants, International Review of Economics and Finance, http://dx.doi.org/10.1016/j.iref.2016.10.005

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting galley proof before it is published in its final citable form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.
Directional and bidirectional causality between U.S. industry credit and stock markets and their determinants

Syed Jawad Hussain Shahzad \(^{a,b}\), Safwan Mohd Noi \(^{c,d}\), Shawkat Hammoudeh \(^{e,f,*}\), Muhammad Shahbaz \(^{g}\)

\(^{a}\)University of Malaysia Terengganu, Malaysia, COMSATS Institute of Information Technology, Islamabad Pakistan

\(^{b}\)Energy and Sustainable Development, Montpelier Business School, Montpelier, Montpelier, France

\(^{c}\)School of Maritime Business and Management, University of Malaysia Terengganu, Malaysia

\(^{d}\)Victoria Institute of Strategic Economic Studies, Victoria University, Australia

\(^{e}\)Lebow College of Business, Philadelphia, PA, United States

\(^{f}\)Energy and Sustainable Development, Montpelier Business School, Montpelier, Montpelier, France

\(^{g}\)Montpellier Business School, Montpellier, France

jawad.kazmi5@gmail.com

safwan@umt.edu.my

Shawkat.hammoudeh@gmail.com

m.shahbaz@montpellier-bs.com

*Corresponding author.

Abstract

We examine the causal links between U.S. industry-wise credits and stock markets. The full sample bootstrap Granger causality results show that all stock markets Granger cause their CDS counterparts and there is also bidirectional causality for the banking, healthcare and material industries. The short-run parametric stability tests highlight that the full sample parameters are not stable and hence less reliable. The bootstrap rolling window estimations confirm the inconsistency in the CDS-stock causality relationships where bidirectional causalities are also found between the credit and stock markets that vary over different sub-samples. Finally, we analyze the impact of different financial and macroeconomic determinants on the CDS-stock causality through a probit model. Overall, the business conditions, stock market volatility, default premiums, Treasury bond rate and the slope of the yield curve are major drivers of the CDS-stock nexus. Our findings provide possible explanation for varying and mixed previous empirical findings in the existing literature, and hence have useful investment implications.

JEL Classification: C32, G20, G32

Keyword: Credit default swap; stock; bootstrap rolling windows; Granger non-causality; Probit.
دریافت فوری
متن کامل مقاله
امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات