

RECENT CHANGES ON ROMANIAN CAPITAL MARKET'S VOLATILITY IN THE FRAMEWORK OF A COMPONENT GARCH MODEL

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ABSTRACT: The Romanian capital market was receiving the shock waves of the financial crisis starting with August 2007. The volatility of its evolutions was correspondingly modified as a response to an increased uncertainty trading environment. The objective of this paper is to provide some empirical evidences for a more detailed analysis of these changes by employing a „Component GARCH” model. The main output consists in the finding that both long-run and short-run components of the volatility were affected by structural changes.

Key words: Romanian capital market, financial crisis, Component GARCH, long-run volatility, short-run volatility

JEL codes: G10,G15