
Sustainable Resilience under Asymmetric Systemic Stress in Global Equity Markets

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Abstract

Using the CoVaR framework and network theory, this study examines the interconnectedness of 34 global equity market indices from the FY 2004 to FY 2024 to know the asymmetric systemic stress among these global equity markets. Further we have constructed the Financial Stress Index (FSI) and estimated the degree of transition of the market indices to evaluate the cross-country differences in financial sustainability and patterns related to crises propagation and contagion effects. The finding of the study shows the significant differences in vulnerabilities among developed countries and developing countries. Furthermore, the study provides insights that by improving the financial system and their quality the systemic vulnerabilities can be reduced of these economies to achieve the financial sustainability. This study advanced the policymakers to recognize the significant markets and provide the strong strategies to cope up with the crises situation. The results are helpful for investors to strategically diversify their portfolios by matching exposure across stable and highly risky markets. **Keywords:** Systemic Risk, CoVaR, eCoVaR, Market Index, Equity Market, Financial Stress Index

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