On the Impact of Inflation and Exchange Rate on Conditional Stock Market Volatility: A Re-Assessment

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This paper studies the impact of inflation and exchange rate on conditional stock market volatility. Sentana’s QGARCH model is generalized to include the asymmetries in inflation and exchange rate that are not allowed in linear GARCH (p, q) model of Bollerslev (1986). Nonlinear specifications of QGARCH model then show the significant relationship of inflation and exchange rate to conditional stock market volatility.

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