

Analysis of the China market: Evidence from quantile regression approach

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Abstract

Purpose of the article The purpose of this paper is the analysis of the stability of China financial market compared to USA. Financial stability represents a concept associated with the stability of financial markets, of banking sector and exchange markets and therefore we take into account the stock exchange indices and FX rate for our empirical study.

Methodology/methods Our empirical study presented in this paper shows that the linear quantile regression gives the possibility to study the stock markets under normal and extreme conditions. Data used for our empirical study are based on period from January 2000 to June 2017 and comprise the crisis periods.

Scientific aim The scientific aim is to show that the quantile regression linear approach is applicable in financial stability analysis. The paper contributes to the literature regarding the development of the analysis of financial markets' stability. Our study expands and complements existing study which analyzes the stability of financial markets in China.

Findings Our findings show evidence if the impact of systematic shocks under normal and extreme market conditions. Our findings may have implications for international investors in terms of risk management which should vary according to changes in the economic and financial global factors.

Conclusions In our empirical study we have used and compared linear quantile regression results for the analysis of the stability China comparing to USA financial market.

Keywords: quantile regression, financial stability, assymetric dependence

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