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

Dima Bogda, Professor PhD
West University from Timisoara
bogdan.dima@feaa.uvt.ro

Pirtea Marilen, Professor PhD
West University from Timisoara
marilen.pirtea@feaa.uvt.ro

Murgea Aurora, Lecturer PhD
West University from Timisoara
aurora.murgea@feaa.uvt.ro

Mura Petru Ovidiu, PhD student
West University from Timisoara
murapetruovidiu@yahoo.com

ABSTRACT: The Romanian capital market was receiving the shock waves of the financial crisis starting with August 2007. The volatility of its evolutions was corresponding 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