

Foreign Investor Behavior in Asian Emerging markets during the Subprime Crisis.

Abstract

The objective of this study is to investigate the investor behavior from before the Asian crisis until the Subprime crisis period and to compare the behavior in both crisis periods. This study uses closed-end country funds (CECFs) and their underlying assets to study the expectation of local and foreign investors by using various methods including ECM, multivariate VAR and single regression. The result shows that the investors act differently during crisis and non crisis periods and also during Asian and Subprime crisis periods. Moreover, the study shows strong evidence that U.S. market has significant impact on local markets during the Subprime crisis which is different from what observed during the Asian crisis.