

Analyzing Asymmetric Volatility in S&P 500 Index

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Abstract:

Volatility in stock indexes has affected investing decisions globally. This paper studies the volatility behavior of S&P 500 index over the past nine years. This time period is of crucial importance due to the most recent recession the US economy. A Univariate (asymmetric) GARCH model is used to estimate the conditional variance of the series. The paper expects asymmetric behavior in the series i.e. negative vs. positive news has different impact on volatility. The results of this paper will help better understand the volatility behavior of stock indexes and would provide major implications for researchers.

JEL Classification: G

Key Words: Volatility, GARCH.

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