New Evidence of Financial Market Contagion Effect during COVID-19: A Time-Varying Copula Approach

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Abstract

In this paper. we study the influence of the COVID-19 pandemic on the contagion effect between China and G20 countries over a recent period from 1 January 2018 to 9 July 2021. The empirical analysis is conducted using a time-varying copula approach of Patton (2006). The obtained results show strong evidence of asymmetric dynamic dependence structure between Chinese and other G20 stock markets. For all countries, the copula parameters and the tail dependence structure are greater during COVID-19 period. In particular, these parameters are larger in developed stock markets than emerging stock markets implying a more contagion effect.

Keywords: asymmetric dynamic dependence structure, G20 stock markets.