

**Volume 31, Issue 2****Research Announcement****What drive the regional integration of emerging stock markets?**

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**Abstract**

This study explores the fundamental driving forces of regional equity market integration. The determinant factors are categorized into three dimensions: market attribute, economic fundamentals and world information. My sample consists of equity markets in 4 notable regional trading blocs: Latin America, Southeastern Asia, Southeastern Europe and Middle East over the period March 31, 1996-March 31, 2008. I measure market integration based on pricing error as proposed by Bhattacharya and Daouk (2002) and Adler and Qi (2003). Using multivariate BEKK-GARCH (1, 1) process and switching regime model, my results show that the time-varying degree of integration of Latin America, Southeastern Asia, Southeastern Europe region, satisfactorily are explained by the regional level of trade openness and market development. For the Middle East, individual-market volatility and inflation play a significant role in the integration process. The analysis of the financial integration also reveals that the degree of integration of equity markets considerably varies over time.

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