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# Integration of Japan's stock market with Regional market

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## **Abstract**

Our paper tests the conditional version of the International Capital Asset Pricing Model (ICAPM) applying a parsimonious multivariate c-DCC-FIAPARCH process. By permitting the prices of risk and the level of market integration to vary through time, our results show that Japan experienced increases in the degree of regional integration in last years. The increasing integration into regional financial markets alone is unlikely to provide a sound ground for a currency union in ASEAN+5 at this stage, but improvement in welfare gains in the ASEAN+5 economies by means of further risk sharing is possible.

*Keywords: Regional integration, ICAPM, Price of Risk*

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