

**INTEGRATION OF US, JAPAN, AND CHINA POWERS INTO KOREAN & TAIWANESE STOCK MARKETS**

Jae-Kwang Hwang, Virginia State University, U.S.A.  
Young D. Nwoye, Virginia State University, U.S.A.  
Alex I. Ogwu, Elizabeth City State University, U.S.A.

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**ABSTRACT**

This research paper examines the financial integration of two developed and one emerging powers into the Korean and Taiwanese stock markets using weekly stock market returns from January 2003 to December 2015, analyzing before the crisis, during the crisis, and after the 2008-9 financial crisis. A VAR approach is used to indicate the degree of financial integration among the markets. The findings of this paper concurs with the view that the continued strength of growth in China benefits its market. As a result, the merits of investment diversification can be still achieved by investors participating in the Chinese stock market. However, it is conducive to note that the developed stock markets seems to be more integrated during the financial crisis period, which results in lesser benefits of diversification among them.

Keywords: *Integration, stock markets*