

Volatility Transmission for Cross Listed Firms and the Role of International Exposure*

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Abstract

We find empirical evidence suggesting that volatility dynamics of Japanese firms cross-listed in the US is characterized as a Meteor Shower with Country Specific News. Furthermore, we find differences in volatility dynamics depending on the international exposure of firms. These differences are consistent with a higher contribution of foreign traders (foreign markets) to the price discovery process Japanese firms with higher international exposure, and with a news-correlated process for these firms. We also find weaker empirical evidence suggesting a higher contribution of Japanese traders to the price discovery process of Japanese firms with lower international exposure.

Keywords: Cross-listing, Volatility, GARCH, Stock Market, Information transmission.
JEL: G10, G14, G15

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