

Research on the Linkage of Chinese and Korean Stock Market under the Background of RCEP

Dawei Yin, Fanya Qu* and Jiahui Ma

School of Economics and Management (School of Tourism), Dalian University, Dalian 116622, P. R. China *Corresponding author: ceciliaqu123@outlook.com

Introduction

This study on RCEP's impact reveals a strong correlation between China and South Korea's stock markets, with China having a greater influence. RCEP boosts capital flows, amplifying China's market impact, offering insights into economic ties and market stability.

Research Questions

This paper examines the correlation between the stock markets of China and South Korea in the context of RCEP, which will be useful for understanding the degree of interdependence between the two economies and exploring the extent to which policy changes in the two countries affect the stock markets, as well as the trend of change.

Methodologies

In this paper, VAR model, Granger causality test, impulse response function and variance decomposition were applied to analyze the logarithmic returns of the daily closing prices of the selected Shanghai Stock Exchange Index (SSEC) and the Korea Composite Stock Price Index (KOSPI) for the period from 2002 to 2023.

Tables

Stage	Statistic	KOSPI logarithmic returns	SSEC logarithmic returns
Stage 1	ADF statistic	-26.17427***	-28.35473***
Stage 2	ADF statistic	-17.84356***	-17.08740***

Table 1. Stability test results

Note: *, **, and *** indicate that the P-value of the statistic is less than 0.1, 0.05, and 0.01.

The ADF test results show that at the significance level of 1%, the P-value of the logarithmic returns of each stock index is less than 1%, which means the original assumption can be rejected, indicating that the logarithmic yield of each country's stock index is a stable sequence.

Mathematical Formulas

Here we list the important formula. $R_t = \ln(P_t/P_{t-1}) \times 100$

(1)



Figure 1. Impulse response function results

Comparing the results of the two phases together, the impact of SSEC yields on KOSPI yields is somewhat enhanced after the implementation of the RCEP, but the extent of the impact of KOSPI yields on SSEC yields is reduced.

Conclusion

The results show that the impact of our stock market on the Korean stock market is long term. After the implementation of RCEP, the impact of China's stock market on Korea's stock market has slightly increased; however, the extent of the impact of Korea's ticket market yields on China's stock market yields has weakened.