

**Bond Market Integration in East Asia:  
A Multivariate GARCH with  
Dynamic Conditional Correlations Approach<sup>+</sup>**

by

Yoshihiko Tsukuda\*, Junji Shimada\*\*, and Tatsuyoshi Miyakoshi\*\*\*

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**Abstract:**

This study analyzes how and what degree the emerging East Asian local bond markets are integrated with the global bond market, the Japanese bond market and the intra-regional cross-border bond markets by applying the DCC-GARCH model to the local currency bond yield indices. Although the local currency bonds outstanding in the East Asian markets have been greatly enhanced during the first decade of the 21st century, our results reveal that integration of the local bond markets on the external markets remains at the low level for ASEAN-4 (Indonesia, Malaysia, the Philippines and Thailand), South Korea, and China. Hong Kong and Singapore are more integrated with the global market rather than the intra-regional cross-border bond markets. The effects from the Japanese market to the emerging East Asian markets are minimal.

JEL Classification:

Key Words: East Asian Bond markets, Bond Market Integration, Dynamic Conditional Correlation

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\* Graduate School of Economics and Management, Tohoku University

\*\* School of Business, Aoyama Gakuin University

\*\*\* Faculty of Science and Engineering, Hosei University

Correspondence: Tatsuyoshi Miyakoshi, Faculty of Science and Engineering, Hosei University  
3-7-2, Kajino-cho, Koganei, Tokyo, 184-8584, Japan.

tel: 042-387-6352 , email: miyakoshi@hosei.ac.jp