

# Volatility Spillovers on Sectoral Equity Indices in New Zealand and Australian Stock Markets. \*

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## Abstract

In this paper, we examine own volatility dependency for the major sectors in New Zealand and Australia stock markets. Empirical findings suggest that, for New Zealand, financial service sector seems to be the most sensitive among the sectors to past own volatility, while other sectors are relatively less volatile to the onset of past shocks or news. We have found similar results for the Australian sector indices. We also provide some estimates of Australia and New Zealand equity sector markets for portfolio designs, aiming to reduce the portfolio risk.

**Keywords:** Volatility-Spillover effect, Sectoral Indices, VARMA GARCH model.

**JEL Classification:** E43; F36; G12; G15,

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