



# The Importance of Spillovers

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There is a large and growing literature that studies return and volatility spillovers but there is no study that assesses the importance of these spillovers. This paper proposes a novel econometric framework to estimate the importance of spillovers in absolute and relative terms. We define spillovers as lagged correlations and distinguish them from contemporaneous correlations. The application of the framework to 30 large stocks shows that the importance of spillovers is low or negligible on average but high during crisis periods. The estimates indicate that past information is more quickly incorporated in stock prices in normal times than in times of extreme price movements. A comparison of the COVID-19 outbreak with the 2008 financial crisis also suggests that the COVID-19 shock led to more spillovers and thus was more disruptive.

## **Biography:**

Dirk Baur holds a Master degree in Economics (Diplom-Volkswirt) and received his Ph.D. in Financial Econometrics from the University of Tübingen in 2003. Before joining the University of Western Australia he worked for the Joint Research Centre of the European Commission from 2003-2005, was a Post-doctoral fellow at Trinity College Dublin (2005-2007) and a Lecturer at Dublin City University (2007-2009). From 2009-2014 Dirk was Associate Professor of Finance at the University of Technology, Sydney and Associate Professor of Finance at the Kuehne Logistics University in Hamburg in 2015. Dirk's specialization is in the field of financial economics and financial econometrics. His expertise and research is in the financial economics of gold and cryptocurrencies, volatility and dependence modelling. His current research projects are on gold, cryptocurrencies, climate change and spillovers. Dirk has published more than 50 articles in international peer-reviewed academic journals such as the Journal of International Money and Finance, the Journal of Banking and Finance and the Journal of Economic Dynamics and Control.