

Life time of correlation between stocks prices on established and emerging markets

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The correlation coefficient between stocks depends on price history and includes information on hierarchical structure in financial markets. It is useful for portfolio selection and estimation of risk. I introduce the Life Time of Correlation between stocks prices to know how far we should investigate the price history to obtain the optimal durability of correlation. I carry out my research on emerging (Poland) and established markets (in the USA, Great Britain and Germany). Other methods, including the Minimum Spanning Trees, tree half-life, decomposition of correlations and the Epps effect are also discussed.

Comments: 17 pages, 9 figures, 1 table; presented at FENS conference in Wroclaw 2007 and Rzeszow 208; chapter in book: "Life-time Of Correlation And Its Application (volume 1)"

Subjects: **General Finance (q-fin.GN)**; Applications (stat.AP)

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