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### **Contagion Effects between Fine Wines and Financial Markets: Application of ADCC GARCH**

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Using ADCC GARCH framework the present study explore possible contagion effects between financial and fine wines markets during the 2003-2013 period. We observe the Liv-ex Fine Wine 1000 and the seven sub-indices it includes over the period 12/2003 to 12/2013. We use the Liv-ex 1000 as proxy for the global portfolio market. To approximate the effect contagion we use the monthly MSCI World, the monthly Dow Jones World, and the monthly Dow Jones Europe. To measure the conditional correlation we use the asymmetric DCC (ADCC) model proposed by Cappiello et al. (2006). Thus, the main goal of our paper is to study the diversification effect that can exist between the wines market and the standard financial market. Then, we can analyze the co-movement between the MSCI World, the Dow Jones World, the Dow Jones Europe and each wine market index.

Our results are manifold. First, we show that the different wine indexes are not affect in the same way by the financial market volatility. Second, it seems that the choice of the financial index selected strongly influences the identification of the contagion effects. Third, we highlight a proximity or regional effect mediating contagion transmission of financial market volatility to fine wines indexes. Finally, our study reinforces the possible alternative asset nature of fine wines.

These results are important for later analysis. Fundamentally, the fact that some wines suffer a complete contagion and that others a partial contagion induces the existence to different levels of alternative assets. So this work has a taxonomic character. Technically, our analysis shows also that studies on tendency transmissions between financial market and wines markets must give advantage the MSCI World for which the tendency transmission is pure. Conversely, apart from Bordeaux Legends, study of volatility transmissions must focus on the Dow Jones World by taking into account potential asymmetries between tendency transmissions and volatility. This specificity of the transmission holds probably to the composition of financial indexes. The Liv-ex is a platform of British recording maybe more perceptible to the Dow Jones World whose composition is most European than the MSCI World. Consequently, new research approaches are to explore. They concern a larger choice of financial indicators including relative indicators to other alternative assets; sub-periods in the estimation of models by separating notably the crisis periods.