

Searching for rational bubble footprints in the Singaporean and Indonesian stock markets

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Abstract We re-examine the presence of rational speculative bubbles in the Singaporean and Indonesian stock markets in light of contradictory results in the literature. We employ a mix of descriptive statistics, explosiveness tests and duration dependence tests for an expanded dataset from 1970 to 2013 that covers at least two suspected bubble episodes - the 1997 Asian Financial Crisis (AFC) and the Global Financial Crisis (GFC). We find bubble footprints in Singapore and Indonesia using descriptive statistics and explosiveness tests. However, we find no evidence of rational bubbles in Singapore using the duration dependence test. On the other hand, in Indonesia we find evidence of rational bubbles in weekly but not in monthly data. Our results indicate that the duration dependence test could be sensitive to data frequency suggesting that the duration dependence test results are not always conclusive and that it should be used in conjunction with other tests.

Keywords Duration dependence · Rational speculative bubbles · Singapore · Indonesia

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