Abstract

This thesis explores the impact of geopolitical risk on cross-market co-movements in both global stock markets and regional foreign exchange markets over the period of 1995-2023. Employing two novel approaches, namely the return co-exceedances within the quantile regression framework and the GDCCX-GARCH model, our findings reveal that geopolitical risk has a tendency to weaken extreme return co-exceedances and dynamic conditional correlations within these markets, although there are few exceptions from this behaviour. Additionally, we emphasize the significance of considering geopolitical risk when building portfolio strategies by providing evidence for gold's hedging and safe haven properties, the resilience of clean energy investments, and the rise in crude oil prices in response to heightened geopolitical risk.