

Chapter 4

THE LONG-TERM RELATIONSHIP OF FEAR INDEX WITH DOLLAR INDEX, DAX VOLATILITY INDEX AND CRUDE OIL PRICES: ARDL BOUND TEST

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INTRODUCTION

Risk appetite is used as a measure of investors' willingness to take risks in financial markets. In the applied studies, risk appetite is determined by volatility measurements in financial markets. Many countries make and publish risk appetite index calculations to determine the willingness to carry risk in financial markets. The VIX (Volatility Index), which is the first of these indices and also referred to as the global risk appetite index, is very important for the financial markets calculated since 1993. In addition, the Swiss bank Credit Suisse has been publishing the Global Risk Appetite Index (GRAI) since 1998, which is considered a global risk appetite JP Morgan's Liquidity Credit and Volatility Index, which measures volatility and risk in the markets, ISI (Investor Sentiment Index) of Swiss-based UBS, Merrill Lynch's financial stress index, GFSI (Global Financial Stress Index), volatility MOVE (Merrill Option Volatility Expectations Index) and Australia's Westpac's risk appetite index (RAI) are among the most important risk appetite indices demanded by the markets (İskenderoğlu ve Akdağ, 2019:2).

Since 1993, VIX (Chicago Board Options Exchange Volatility Index), an index considered to be a fear index, has become a common index in the world, particularly in the United States. The VIX Index, which is accepted as a global index by investors, shows the 30-day volatility expectations of the market annually, while the S & P500 index is calculated by considering the internal volatility of the buy and sell options. In this way, investors measure market risk based on the VIX Index.

The fact that the VIX Index is below 20% indicates that the risk perception decreases and that it moves above 30% indicates that investors' risk perception increases. The fact that the VIX Index is below 20% indicates that the risk percep-

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While this result shows that VIX and VDAX indices are positively affected by each other in the long term, it can be concluded that they are in financial infectiousness since they are financial markets of similar size.

On the other hand, the sharp and excessive appreciation of the Dollar against the six different currencies increases the numerical value in the fear index.

The most significant finding is that while the risk perception in financial markets of the same size mutually affects each other in the long term, the continuous appreciation of the US Dollar does not cause any beneficial results on the VIX Index, but rather leads to an increase in the VIX Index, which is considered as a risk indicator and a fear index.

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