

Dynamic market risk of green stocks across regions: Where does the devil lie?

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Abstract

We explore the nature of time-varying market risk of investment in green stocks in US, Europe, and Asia-Pacific region during 2007-2020. Such exploration is crucial given the need to accelerate green investment to have a resilient, inclusive, and sustainable world, particularly in the post-pandemic era. While examining resilience of green stocks in crises, we explore channels through which shocks transmit to escalate market risks. Transmission channels may be exogenous, located in local and/or global markets. Alternatively, market risk may be chaotic making its volatility endogenous to the system. The defensive green stocks exhibited remarkable resilience during crises. While local transmission channels exist for the US and European greens, they are insulated from global market fluctuations. Although the Asia-Pacific greens are relatively vulnerable, investment worthiness of greens may still be established. Skepticism, however, remains. With chaotic market risks, reversal in investment optimism is frequent. Green stocks are safe, but only apparently.

Keywords Green Stock, Market risk, Time-varying beta, Deterministic chaos, Crisis.

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