

A Comparative Analysis of Sector Diversification in Australia, India and China

Suneel Maheshwari

Professor, Indiana University of Pennsylvania, Indiana, Pennsylvania, USA

Rakesh Gupta

Professor, Indiana University of Pennsylvania, Indiana, Pennsylvania, USA

Jinze Li

Professor, Indiana University of Pennsylvania, Indiana, Pennsylvania, USA

Abstract:

Over time, research has looked at different aspects of international diversification; such as emerging and frontier markets, use of time-varying framework and more recently at sector diversification within the emerging market and/or developed markets. The diminishing benefit from international diversification led investors to seek new diversification sources especially in the emerging markets that have low integration. Idea of sector diversification, although not directly related to international diversification, has gained renewed attention with the decline in benefits of international diversification (Gupta and Basu 2011). Our study aims to test the benefits of sector diversification in Asia-Pacific area using the stock indices in Australia, India, and China. The results from the study suggest that the sector diversification benefits all three markets. It also suggests that the sector diversification is not affected by political background or economic structure.