

Title:	AN ANALYSIS OF THE INTERRELATIONSHIPS AMONG THE MAJOR WORLD STOCK EXCHANGES
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Abstract:	The method of principal component is used in this paper to analyse the interrelationship among the world's major stock exchanges. The major finding is that the interrelationship is unstable over time. This finding proves that any ex ante prediction of price indices is impossible, and it suggests that the indices of world equity markets can move in a random walk fashion. The consequences to international portfolio diversification should be obvious.