



SDI Review Form 1.6

Journal Name:	<u>British Journal of Economics, Management & Trade</u>
Manuscript Number:	Ms_BJEMT_24632
Title of the Manuscript:	Evaluating the Volatility Behavior in Irish ISEQ Overall Index Using GARCH Models.
Type of the Article	Original Research Article

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This journal's peer review policy states that **NO** manuscript should be rejected only on the basis of '**lack of Novelty**', provided the manuscript is scientifically robust and technically sound.

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PART 1: Review Comments

	Reviewer's comment	Author's comment (if agreed with reviewer, correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)
Compulsory REVISION comments	Introduction The authors could improve the introduction section, by including the main results of the paper and its structure. It's recommendable also to explain the theoretical framework that predicts the behaviour of stock market return. Writing improvements Certain improvements are necessary when the authors refer to other papers (e.g. lines #89 to #96) or conjugating sections (e.g. 2.1 and 2.2 "we have also:") Return as ln of return The authors have to test the models with pure return as variable, instead of transforming it in ln. The reason for that is the ln induces variables to stationarity and then the results could have a bias of ln structure.	Introduction A brief summary, in addition to that of the abstract, has now been included at the end of the Introduction to indicate the scope of the current paper. Final paragraph of Introduction, line#96-103. - The rationale for interest in stock market returns, their behaviour and underlying model basis for prediction has been included in the Introduction, lines #33-43, in order to motivate the interest in volatility as a measure of risk. - All references to other papers have been reviewed and ambiguous phraseology or unclear citation revised. Former lines #89-96 have been rewritten (new lines#106 to 113). Rephrasing/amendments to improve clarity, have also been included in sub-sections of Section 2 and throughout text, where appropriate. Return as ln of Return The compounding returns are calculated as the log of the price ratio, which is the most common method, not initially calculated as raw returns and then transformed to ln(returns). W.r.t. the stationarity issue, the mean is constant, (tested by the unit roots test, Table 1), while the nonstationarity in the variance of returns is contained in the conditional variance of the GARCH models and the stationarity condition which applies to these. To avoid ambiguity, the stationarity point is made explicitly in the text and the argument for working with the compounding returns, r_t, for the volatility investigation is expanded. Lines #231-241.



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	• Structural break The table 1 shows there is a structural break at the beginning of 2009. Therefore, the models have to be segregated and the interpretation of such a figure changed to explain the structural break in the time series. • Table 2 analysis The authors allege the stationarity holds in the models GARCH(1,1) and FIEGARCH(1,1). However, as we explained before, the stationarity have been induced by the transformation of return.	• Structural break. The structural break occurs at the end of 2009 and has been indicated on Fig. 1 by inclusion of a vertical line. The models have been reported separately for the three segmented sections of the overall series as well as for the overall period, ---clarified in the abstract and again at the end of the Introduction - (ref. first point above). • Table 2 analysis The issue of stationarity (for mean and variance of returns), and w.r.t. the conditional variance in GARCH family models in the latter case, as well as the use of compounding returns, is addressed (fourth bullet point above) above and by inclusion in the text, Section 3.1 as noted there.
<u>Minor</u> REVISION comments		
<u>Optional/General</u> comments		