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**An Asymmetric Block Dynamic Conditional Correlation
Multivariate GARCH Model**

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Abstract

The Block DCC model for determining dynamic correlations within and between groups of financial asset returns is extended to account for asymmetric effects. Simulation results show that the Asymmetric Block DCC model is competitive in in-sample forecasting and performs better than alternative DCC models in out-of-sample forecasting of conditional correlation in the presence of asymmetric effect between blocks of asset returns. Empirical results demonstrate that the model is able to capture the asymmetries in conditional correlations of some blocks of currencies in East Asia in the turbulent years of the late 1990s.

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