

The role of international securities market trading systems in financial globalization and global economy

Mukhamedov Farkhod Tursunbaevich, Vice rector for youth affairs of Tashkent institute of finance, PHD, associate professor, farkhod77@mail.ru, тел: 90 1872505

Annotation. This article is devoted to explaining the role and place of world securities market trading systems in the global economy and globalization. This article analyzes the indicators of the securities market based on the data of the World Federation of Exchanges.

Key Words: Securities market, World Federation of Exchanges, global securities market trading systems, capitalization, capitalization to GDP, investment flows, stock exchanges, indexes.

Introduction

In recent years, the securities market has been steadily developing as an integral part of global financial and economic growth.

Trading systems in the securities market are becoming a mechanism for attracting investments, transforming savings into investments and ensuring capital flows for the development of the global economy. The movement of the main trade turnover and portfolio investment in the securities market occurs through the exchange.

To substantiate the above views, it is desirable to analyze the development trends of key stock exchanges in the world. Analysis of trends in the stock market allows us to evaluate the role and place of stock markets in the global economy and in the development of financial globalization, and the results of the analysis allow us to draw a number of important conclusions useful for Uzbekistan.

Literature analysis

Here are some important conclusions based on the theoretical and experimental studies conducted [1,2,3,4]: "P. Samuelson's accelerator's principle is that¹ economic growth and investment are mutually dependent," "The stock market development stages and intensities of economic growth are synchronized", "Investments attracted through the securities market through trading systems help to accelerate economic growth and reduce inflation, "When the economy monetization rate is more than 55 percent, the emerging market stocks are likely to grow into a sustainable development environment, with a favorable investment climate and to attract investment and to lower inflation." These conclusions demonstrate the relationship between investment growth and the level of development of the securities market.

We can see that the following studies have been carried out by foreign economist scientists in the field of research. For example, factors influencing the functioning of the securities market were investigated by Aurangzeb (2012) on the example of South Asian countries, which identified the factors influencing stock markets in South Asia. The data used in the research were studied in 1997-2010 in the examples of South Asia, including Pakistan, India and Sri Lanka. The results of the Regress analysis show that foreign direct investment and exchange rates have a positive impact on the activities of the stock market in South Asian countries; interest rate shows a negative impact on the stock market activity in South Asia. It also found that inflation has a negative impact on the stock market activity in South Asia, but has little effect. In order to benefit fully from the stock market and to support international markets, it is worth mentioning that a well-managed macroeconomic policy is needed to strictly control the interest rates and inflation levels and to reduce the cost. It is also

¹ This principle is summarized as follows: "The growth of real GDP leads to an increase in real investment, which, in turn, leads to an increase in real GDP growth."

recommended that foreign investors be granted additional benefits, since the study shows that the foreign investors have a strong focus on the region [5].

Rizvan Mushtaq (2011) conducted a study on the impact of the change in the securities market on macroeconomic indicators, using the EGARCH econometric model in the experimental analysis of this study. According to the experimental results of the study, there is a positive correlation between the stock market and consumer price index and direct foreign investments. However, it has been shown that there is a bilateral relationship between the direct investment and the price index. However, the relationship between the consumer price index and the stock price was not determined. According to the findings of this research, the stock market of Pakistan has a very low effect on the US and other developed countries of the world [6].

Analysis and results

Based on the data of the World Federation of Stock Exchanges (WFSE, eng. WFE²), it is possible to substantiate the above points. According to the official data of the World Federation of Stock Exchanges, it can be seen that the role of security trading systems in the world economy has grown dramatically. We analyze this by using the following indicators.

In particular, the total volume of global security trading systems in 2018 (shares - \$ 97.3 trillion, bonds - \$ 13.8 trillion) amounted to \$ 111.1 trillion US dollars. This is more than \$ 26.3 trillion of global GDP [7,9]. The volume of the trading system of the world market of derivatives amounted to \$ 30.1 billion (\$ 13.2 billion options and \$16.9 billion worth of futures) in 2018. [8]

Below we will analyze the dynamics of annual capitalization of members of the World Stock Exchanges Federation.

² WFE (WFE-World Federation of Exchanges) distributes its members by region as follows: American Territory (AMERICAS); Asia - Pacific Region (ASIA - PACIFIC); Europe-Africa-Middle East Region (EUROPE - AFRICA - MIDDLE EAST). These areas are also studied as a research object.

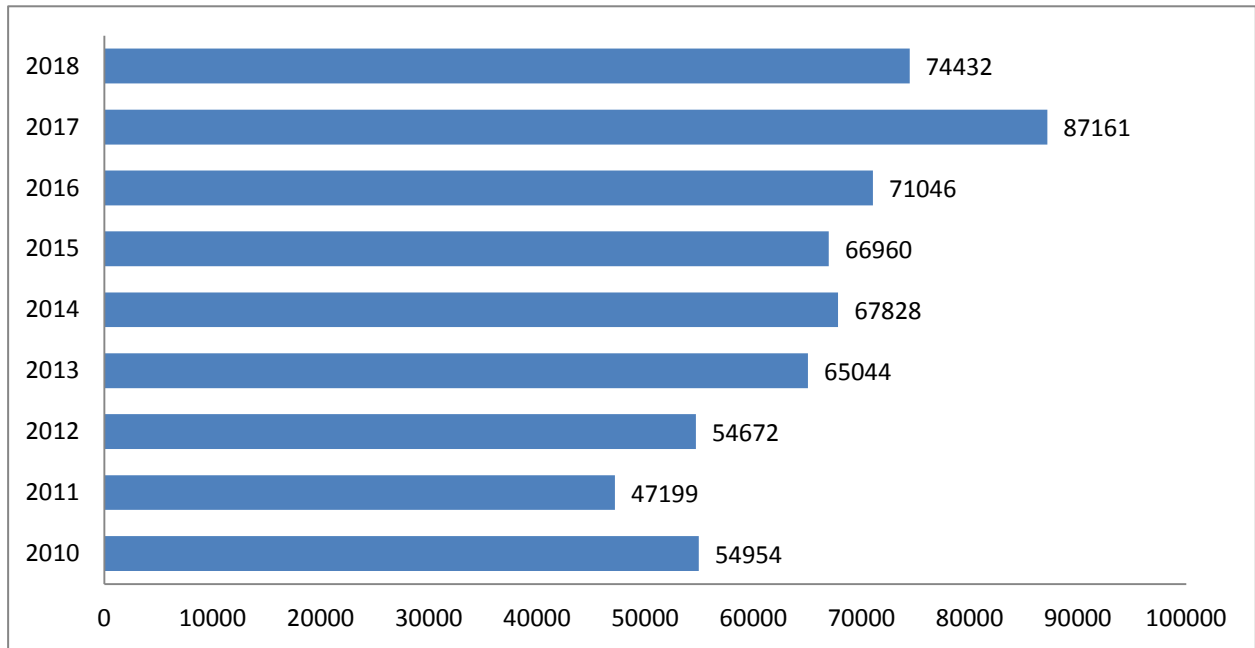


Figure 1.1. The volume of total capitalization of members of the World Federation of Stock Exchanges, bn. US \$. [7]

As shown in Figure 1.1, the annual capitalization of members of the World Federation of Stock Exchanges in 2010-2018 increased from \$ 54.954 billion to \$ 74.432 billion. Although the volume of capitalization in 2011 decreased from 54,954 billion US dollars to 47,199 billion US dollars, steady growth was observed in the next six years. The highest level in recent years was reached in 2017, which amounted to 87161 billion dollars.

If analysis of dynamics of the total volume of global capitalization has been made above, then we can see changes in the capital market of TOP-10 countries on the given indicator.

Table 1.1

Top 10 countries with high capitalization of the securities market, bn. dollars [9]

№	Countries	Years								
		2010	2011	2012	2013	2014	2015	2016	2017	2018
1	USA	17283	15640	18668	24034	26330	25067	27352	32120	30436
2	China	4027	3412	3697	3949	6004	8188	7320	8711	6324
3	Japan	3827	3325	3478	4543	4377	4894	4955	6222	5296

4	Hong Kong	2711	2258	2831	3100	3233	3184	3193	4350	3819
5	India	1631	1007	1263	1138	1558	1516	1566	2331	2083
6	Canada	2171	1912	2059	2113	2095	1593	1993	2367	1937
7	Germany	1429	1184	1486	1936	1738	1715	1716	2262	1755
8	Switzerland	1229	1089	1233	1540	1495	1519	1403	1686	1441
9	Korea	1091	996	1179	1234	1212	1231	1254	1771	1413
10	Australia	1454	1198	1386	1365	1288	1187	1268	1508	1262

Data from the table 1.1 above show that three of the top three countries with high capitalization are the United States, China and Japan, and that these three countries are leaders in the global economy in terms of GDP. Although in the previous decades, the US, Japan, and especially the European countries entered the top ten in terms of capitalization of the securities market, currently, Asian countries such as China, Hong Kong, India and Korea are among the top ten. This indicates that over the past decade Asian markets have started to attract investment flows and increase the attractiveness of securities trading systems. According to Table 1.1, the USA in 2018 took the absolute leadership with a \$ 30436 billion capitalization volume and made up 40.8 percent of the global securities market capitalization. This situation indicates that the United States is competitive in the global financial market. This advantage allows the United States to manage capital flows through its financial instruments and to have a broader impact on the economies of the world, as most of capitals are concentrated in the United States.

The above analyzes are continued in the indexes of the large stock exchanges (Table 1.2).

Table 1.2

The dynamics of the trading system index of the largest stock market in the world [10, 11]

Indexes	Years								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
DJ (Ind.Ave)	11577	12217	13104	16576	17823	17425	19762	24719	23327
Nikkei-225	10228	8455	10395	16291	17450	19033	19114	22764	20014

DAX-30	6914	5898	7612	9552	9805	10743	11481	12917	10558
FTSE-100	5899	5572	5897	6749	6556	6242	7142	7687	6728
CAC-40	3804	3159	3641	4295	4272	4637	4862	5312	4730
Shanghai comp.	2808	2199	2269	2115	3234	3539	3103	3307	2827
Hangseng comp.	23035	18434	22656	23306	23605	21514	22000	29919	25845
Nasdaq comp.	2652	2605	3019	4176	4736	5007	5383	6903	6635

Table 1.1 above shows that the stock market indexes of developed countries are almost synchronized, which means that interconnected stock exchanges are internationally integrated, and have emerged as one of the major forms of global financial globalization.

An important indicator that determines the role and place of the securities market in the economy is the ratio of trading system capitalization (CAP) to gross domestic product (GDP) of the country's securities market (Table 1.3). We can analyze this with the following table information.

Table 1.3

Share of trading systems capitalization of the securities market in the country's GDP (TOP-10), (Cap / GDP), % [9]

№	Name of stock exchange	Years							
		2010	2011	2012	2013	2014	2015	2016	2017
1	Hong Kong	1185,9	908,6	1078,3	1124,7	1109,3	1029,4	995,1	1274,1
2	South African Republic	246,4	189,5	229,0	257,1	266,4	231,8	321,7	352,8
3	Switzerland	210,6	155,7	184,6	223,8	210,9	223,5	209,4	248,4
4	Singapore	273,9	216,8	263,2	244,5	241,6	210,4	206,7	243,0
5	USA	115,3	100,6	115,3	143,2	150,3	137,6	146,2	164,8
6	Malaysia	160,3	132,8	148,4	154,8	135,8	129,1	121,2	144,8
7	Canada	134,6	106,9	112,9	114,7	116,5	102,6	130,6	143,7
8	Netherlands	78,1	65,8	77,6	93,3	88,3	95,2	102,8	132,5
9	Japan	67,2	54,0	56,1	88,1	90,3	111,4	100,1	127,7
10	Thailand	81,4	72,4	98,0	84,3	105,7	86,9	105,1	120,5

Data from the table 1.3 above show that the volume of securities trading system capitalization is several times higher than these countries' GDP. The top three in terms of CAP / GDP is Hong Kong with 1274.1%, SAR 352.8% and Switzerland with 248.4% respectively³.

This shows that such countries as Singapore, Malaysia, Japan and Thailand of the Asian continent are in the top ten countries, and over the past decade, Asian

³ Thus, the PAP / GDP ratio in Hong Kong at 1274.1% in the year 2018 and 164.8% in Hong Kong does not mean that Hong Kong's VAT turnover or capitalization is greater than in the United States. Only the Hong Kong stock market capitalization is a few times larger than Hong Kong's GDP.

countries have begun to compete with European countries in terms of capital flows and investment flows.

The confirmation of this opinion can also be seen through trades held by the World Federation of Stock Exchanges (Figure 1.2).

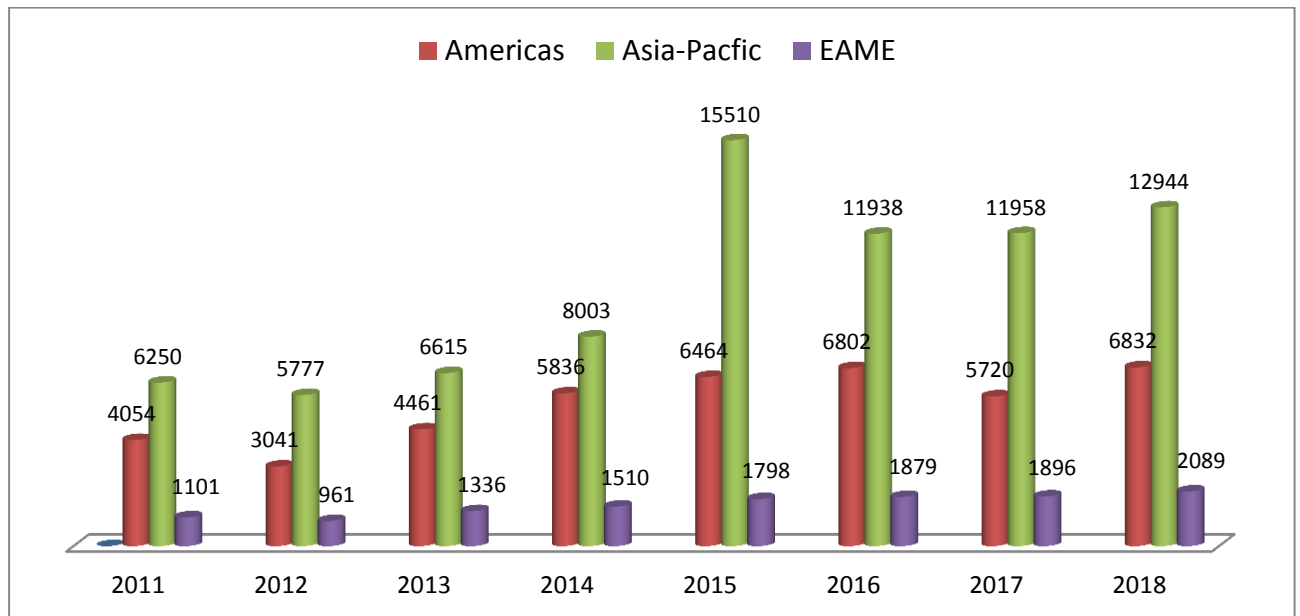


Figure 1.2: Securities trading in the territory of the World Federation of Stock Exchanges [7]

Figure 1.2 above illustrates that in 2011-2018s in securities trading held in the territories of the World Federation of Stock Exchanges, predominantly the Asia-Pacific region was in the lead. Securities trading in the United States and Europe-Africa- the Middle East were consequently the next. The highest in these years was recorded in the Asia-Pacific territory in 2015 and was 15,510, while the lowest in 2012 was 961 in the Europe-Africa-Middle East territory.

Conclusions and Suggestions

Based on the above analytical results, the following conclusions can be drawn.

First, the role and place of securities market trading systems in the global economy and financial globalization is significant. The results of these analyzes fully

support the above-mentioned opinions and conclusions. These trading systems are inextricably linked to the national and global economy.

Second, the US capitalization of 40.8% of global securities market capitalization is due to the fact that the US is free from competition in the global financial market, and because the majority of the global financial market capitalization is concentrated in the United States, we can emphasize that it has the ability to manage capital flows through the appropriate financial instruments and to have a wider impact on the economies of the world.

Third, while the United States, Japan, and mainly European countries have been in the top ten in terms of their capitalization volume and by the share of capitalization in GDP in the past decades, we can see that Asian countries, such as Singapore, Malaysia, Japan and Thailand are now in the top ten by the share of capitalization in GDP, with China, Hong Kong, India and Korea in terms of their capitalization volume. This shows that over the past decade, securities trading systems of Asian markets have become increasingly attractive, involving investment, and Asian countries are competing with European countries.

Fourth, in the context of financial globalization, the interrelationship of trading systems with the securities market is characterized by the trends in the global economy. Changes in the securities market trading system of a particular country will result in changes in the trading system of another country that is highly integrated with it. Stock markets play an important role in the economic development of the country from the point of view of transformation of funds into investments.

Fifth, the international securities trading systems are one of the key mechanisms for attracting investment and providing free capital fluctuations globally. At the same time, they are characterized by their sensitivity to a variety of factors, instability, high risk, and strong competition for investment.

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