

Abstract

The purpose of this paper is to extend the money market integration study by including Taiwan's offshore money market to provide a more global perspective and to examine Taiwan's progress in entering the international financial arena. The results indicate that three offshore money markets examined are not fully cointegrated. For the overnight yields, only the pairs of Taipei and London and London and Singapore show significant long-run equilibrium relationships. Singapore and London are the only pair of markets displaying cointegration relationship for the one-month maturity yield series. In addition, based on the estimated error correction models, the hypothesis that these offshore money markets are perfectly linked cannot be supported.

Keywords: Offshore money market, Integration, Cointegration, Error correction model, Banking liberalization,