

Sustainability Indices in the Financial Markets, Performance and Intraday Volatility Analysis: The Case of Turkey

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ARTICLE INFO	ABSTRACT
<p>Keywords: Sustainability Financial markets Intraday volatility CAPM Risk</p> <p>Received 10 October 2019 Revised 14 December 2019 Accepted 19 December 2019</p> <p>Article Classification: Research Article</p>	<p>Purpose – In the financial markets, especially the institutional investors' interest in funds and portfolios composed of sustainable companies accelerated the formation of sustainability indices. In this context, this study aims to examine the sustainability indices in financial markets and compare the performance of Borsa İstanbul Sustainability Index (XUSRD) with benchmark indices. In this study, unlike other studies in the literature, not only return performance and risk, but also intraday volatility were analyzed.</p> <p>Design/methodology/approach – The research period is between November 4, 2014 and October 31, 2018. The performance of the XUSRD was compared with market indices (XU100, XUTUM and XTUMY) and the Corporate Governance Index (XKURY). Average daily return of indices were used for return performance. Risk factor was analyzed on models established according to CAPM. Intraday volatility was calculated following to the method proposed by Parkinson (1980) and adapted by Corrado and Truong (2007).</p> <p>Findings – Research findings show that average daily return of XUSRD index is not different from market indices and XKURY index. However, when intraday volatility is examined, it was found that XUSRD was more volatile than the market indices XUTUM and XTUMY. In the three regression models established according to CAPM, Jensen α values were not significant, however, β values of XUSRD were found to be higher than 1 and statistically significant.</p> <p>Discussion – Borsa İstanbul Sustainability Index does not provide an advantage to investors in terms of return, risk and volatility. The results can be interpreted that the concept of socially responsible investment is not adequately settled in Turkey.</p>

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