**Commonalities of Equity Market Fundamentals and Return Co-movements: An Emerging and Frontier Market Perspective**

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**Abstract**

Stock returns are based on the market fundamentals of companies according to traditional literature on finance however international equity markets share interconnectedness with each other. Return co-movements between any two markets therefore, are based not only on any single market fundamentals but on the bilateral relationship among stock market’s fundamentals. This study aims to explore the bilateral relationship of trading volume, market size differential, foreign portfolio equity holdings and interest rates with international stock market co-movements. We select ten Asian emerging and frontier equity markets with Pakistani equity markets as the home country with which bilateral equity co-movements is analyzed. Results of our study suggest long run relationship between bilateral equity market co-movement and its determinants. In short-run only bilateral trading volume and exchange rate differential between the two countries have significant impact on bilateral equity co-movement. Our study has implication for policy makers, institutional and individual investors.

**Keywords:** Return co-movements**;** stock market fundamentals; emerging and frontier markets.