In this paper we investigate the relationship between regional financial turmoil and equity markets of three emerging Asian economies: Indonesia, Malaysia, and Thailand. The study focuses on the contagion of the regional banking and financial difficulties to security markets in these three countries. The VAR and bivariate GARCH model results show that, once the regional financial crisis spreads, equity markets decline and exacerbate the crisis. The speed with which equity markets respond to the regional liquidity and financial turmoil is quite similar despite disparate market capitalization and GDP of the regional economies. The volatility becomes persistent and the equity market and financial sector volatility appear to fuel further volatility in one another. However, we show that Malaysia, the most developed of the sample markets, weathered the crisis quicker and more successfully than the other two. These results have important ramifications for financial market participants, local regulators, and international governing bodies such as the IMF.