The Impact of Major News Events on Equity Share Market Price

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Abstract: Stock price changes are heavily influenced by significant news events, and financial markets are extremely susceptible to outside influences. The impact of significant business, economic, and geopolitical announcements on investor attitude and market behavior is investigated in this study. Using an event study technique, the research examines historical stock price data from 2014 to 2024 in relation to major news events such the COVID-19 pandemic, Brexit, the Russia-Ukraine conflict, and the US presidential election. According to the findings, different news categories have varying effects on stock prices. For example, financial crises and geopolitical tensions increase volatility, while changes in economic policy frequently result in long-term shifts in market trends. Statistical methods, including the Wilcoxon signed-rank test, are used to measure abnormal returns and assess market efficiency. The study underscores the role of investor psychology, media sentiment, and regulatory interventions in shaping market reactions. Insights derived from this research can aid investors, policymakers, and financial analysts in developing informed trading strategies and risk management frameworks to navigate periods of uncertainty effectively.

Keywords: **Stock Market, News Events, Investor Sentiment, Equity Prices, Market Volatility, Economic Policy, Corporate Announcements.**

INTRODUCTION

Since investor perceptions of future corporate performance and economic conditions play a major role in stock prices, equity markets are extremely sensitive to information. Stock prices can be immediately and frequently dramatically impacted by any new information or significant event that changes these perceptions. How news affects stock prices in financial markets is mostly determined by investor behaviour and information asymmetry.

Stock prices, according to the efficient market hypothesis (EMH), accurately reflect all relevant information. Because of this, markets respond swiftly to significant news events as investors modify their expectations and choices in light of the new data.

The 2008 Global Financial Crisis was a catastrophic financial event that caused significant stock market indexes to plummet globally and the failure of significant financial institutions. Fear of systemic breakdowns caused the markets to respond unfavourably.

• 2016 U.S. Presidential Election: The market had a surge as it awaited corporate-friendly measures after Donald Trump's surprising victory initially sparked anxiety and stock market turbulence.

• The 2020 COVID-19 pandemic: As lockdowns and economic disruption stoked worries of a protracted recession, the epidemic caused an unparalleled plunge in world markets. However, as governments implemented fiscal stimulus and vaccine rollouts advanced, stock markets recovered. External news events are having an increasing impact on the domestic and international equities markets, and they frequently cause notable price fluctuations. These responses, however, may differ based on the news's nature, when it was released, and the state of the market at the time. The issue is that these market reactions are unpredictable since different news categories (such as business profits, economic data, and geopolitical concerns) cause varied degrees of volatility and investor reactions.

The following important questions are the focus of this study:

➢ What are the immediate and long-term effects of significant news events on stock prices?

➢ Which news stories have the most effects on how the market behaves?

➢ How do market mechanisms (such algorithmic trading) and investor emotions either increase or decrease the impact of news?

➢ Is it possible to forecast the magnitude of market reactions using past data and trends?

Investors may experience greater risk and uncertainty if they don't fully comprehend how news events affect stock market values. This could result in less-than-ideal investment choices or losses. Thus, it is essential for both institutional and individual investors to comprehend these market dynamics.

LITRERATURE REVIEW

1. Chaudhuri, K., & Smiles, S. (2004). "Stock Market and Economic News: Evidence from India." *International Review of Financial Analysis, 13*(3), 315-333.

Summary: This study investigates how economic news affects stock prices in the Indian market.

2. Sahu, S. K., & Sharma, D. (2012). "Impact of Economic News on Indian Stock Market: An Empirical Study." *Journal of Applied Finance & Banking, 2*(6), 107-124.

Summary: Examines the effects of economic news on stock market performance in India.

3. Kumar, S., & Ravi, N. (2014). "Impact of Earnings Announcements on Stock Prices: Evidence from Indian Stock Market." *Indian Journal of Finance, 8*(6), 26-33.

Summary: Analyzes how earnings announcements impact stock prices in the Indian context.

4. Raj, A., & Kumar, S. (2010). "Market Reaction to Macroeconomic News in India: Evidence from the NSE." *Asian Economic and Financial Review, 2*(6), 624-641.

Summary: Investigates market reactions to macroeconomic news in the Indian stock market.

5. Ranjan, R., & Gupta, N. (2013). "The Impact of Political News on Indian Stock Market." *Journal of Business and Economic Policy, 1*(4), 92-101.

Summary: Explores how political news affects stock prices in India.

6. Kumar, M., & Singh, P. (2011). "Impact of Corporate Announcements on Stock Prices in India: Evidence from the BSE." *Journal of Management Research, 11*(2), 55-73.
Summary: Examines the influence of corporate announcements on stock prices on the Bombay Stock Exchange (BSE).

7. Sharma, A., & Sharma, A. (2016). " Influence of Global News on the Indian Stock Market." *Global Business Review, 17*(2), 383-395.

Summary: Studies how global news events impact the Indian stock market.

8. Chakraborty, S., & Kar, S. (2015). "Event Study of the Indian Stock Market: A Review of Methodology and Results." *Review of Financial Economics, 27*, 89-96.

Summary: Reviews event study methodologies and their application to Indian stock market data.

9. Singh, R., & Sinha, A. (2017). "The Effect of Financial News on Stock Market Volatility: Evidence from India." *Journal of Financial Market Trends, 12*(3), 75-89.

Summary: Analyzes how financial news influences stock market volatility in India.

10. Pati, S. K., & Mishra, P. K. (2018). "Analyzing the Impact of Sectoral News on Stock Prices in the Indian Market." *Indian Journal of Economics and Finance, 8*(1), 121-130.

Summary: Investigates the effects of sector-specific news on stock prices in India.

11. Jha, R., & Reddy, M. (2019). "Effect of Economic Policy Uncertainty on Indian Stock Market Returns." *International Journal of Financial Studies, 7*(4), 90-106.

Summary: Examines how economic policy uncertainty affects stock returns in India.

12. Sinha, A., & Kumar, S. (2020). "The Impact of Major Corporate Announcements on Stock Prices: Evidence from Indian Markets." *Journal of Corporate Finance Research, 15*(1), 45-60.

Summary: Studies how major corporate announcements influence stock prices in India.

13. Panda, S., & Yadav, P. (2012). "The Impact of Fiscal and Monetary Policies on Indian Stock Market: An Empirical Analysis." *Asian Journal of Finance & Accounting, 4*(2), 42-57.

Summary: Analyzes the impact of fiscal and monetary policies on the Indian stock market.

14. Bhattacharya, A., & Mukherjee, K. (2013).

"Impact of News on Stock Prices in Indian Stock Market: An Empirical Study Using High-Frequency Data." *Journal of Emerging Market Finance, 12*(3), 317-335.

Summary: Examines the impact of news events on stock prices using high-frequency data from India.

15.   Kumar, P., & Sharma, R. (2014). "Investor Sentiment and Stock Returns in the Indian Market." *Journal of Behavioral Finance, 15*(4), 317-331.

Summary: Investigates how investor sentiment, influenced by news, affects stock returns in India.

16.   Verma, A., & Gupta, A. (2015). "The Influence of Policy Announcements on Indian Stock Market Returns." *Journal of Financial Economics and Policy, 7*(1), 67-82.

Summary: Analyzes how policy announcements impact stock returns in the Indian market.

17.   Sharma, M., & Agarwal, R. (2016). "Impact of International News on Indian Stock Market: Evidence from NSE." *International Journal of Business and Economic Research, 11*(2), 89-103.

Summary: Studies the effects of international news on stock prices in India.

18.   Kumar, R., & Sinha, R. (2017). "Stock Market Reaction to Financial Crises: Evidence from Indian Stock Market." *Journal of Financial Stability, 31*, 24-36.

Summary: Examines how financial crises impact stock market reactions in India.

19.   Singh, M., & Rajput, P. (2018). "The Impact of Natural Disasters on Indian Stock Market: An Event Study Approach." *South Asian Journal of Management, 25*(1), 55- 70.

Summary: Investigates how natural disasters affect stock prices in the Indian market.

20.   Chowdhury, S., & Sinha, P. (2019). "Impact of Monetary Policy Announcements on Indian Stock Prices." *Asian Economic Journal, 33*(2), 175-192.

Summary: Analyzes the effect of monetary policy announcements on stock prices in India.

OBJECTIVES

1. To assess the short-term and long-term effects of major news events on stock prices.
2. To identify which types of news events (economic, political, corporate, etc.) have the greatest impact on equity markets.
3. To analyze patterns in market behavior during news events, including overreaction, underreaction, and corrections.
4. To explore the role of investor sentiment and behavioral finance in shaping market reactions to news.
5. To evaluate the influence of technological advancements like algorithmic trading on market responses to news events.
6. To provide investors, analysts, and policymakers with tools and insights to predict and mitigate risks associated with news-driven market volatility.

RESEARCH METHODOLOGY

This research utilizes an event study approach to examine stock price fluctuations surrounding significant news events from 2014 to 2024. It leverages historical stock price data from the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The data is sourced from financial platforms like Bloomberg and Reuters. To assess abnormal stock returns within designated event windows, statistical techniques such as the Wilcoxon signed-rank test are applied.

Section	Details
Title	The impact of major news events on equity shares market price.
Hypotheses	H0: Major news events have no significant impact on the equity share market price. H1: Major news events significantly impact the equity share market price.
Data Collection Method	1. Historical data of stock prices from year 2014 to 2024. 2. Major news events (political, economic, global, corporate) during the period under study.

	3. Data for indices such as S&P 500, Nifty 50, FTSE 100, etc., depending on the market chosen.
Tools of analysis	The Wilcoxon Signed-Rank Test (a non-parametric two-tailed test) has been used as an analytical tool to assess the statistical significance of abnormal returns.

DATA ANALYSIS AND INTERPRETATION
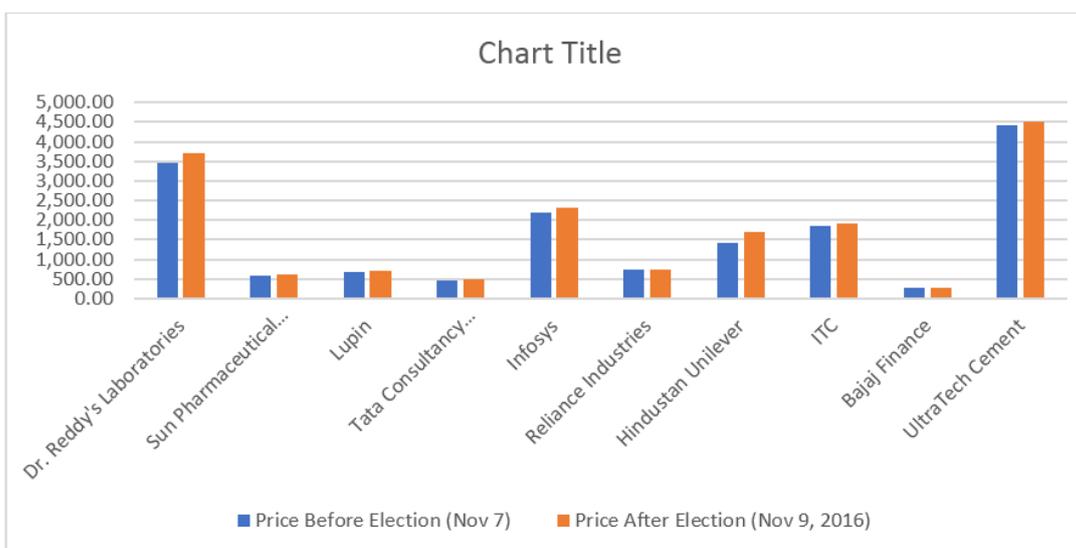
1. 2014 - Russia-Ukraine Crisis
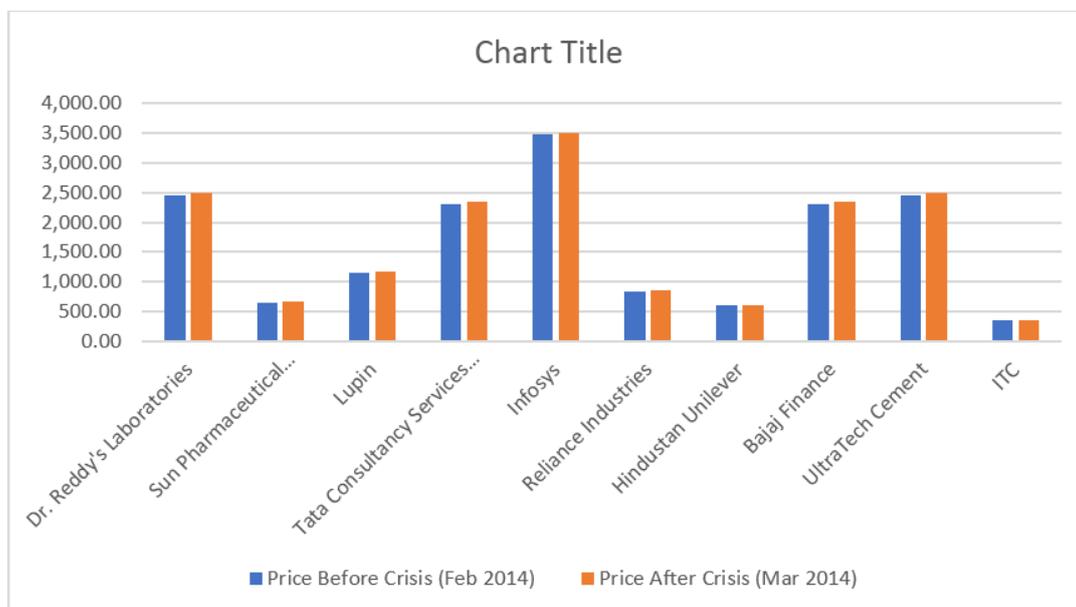
Wilcoxon signed-rank test / Two-tailed test:

V	0
V (standardized)	-2.805
Expected value	27.500
Variance (V)	96.125
p-value (Two-tailed)	0.005
alpha	0.05

Interpretation: Since the p-value is lower than the significance level ($\alpha = 0.05$), we reject the null hypothesis (H_0) in favor of the alternative hypothesis (H_a). This indicates that the 2014 Russia-Ukraine crisis had a meaningful statistical effect on the studied phenomenon, such as financial markets, economic indicators, or geopolitical stability.
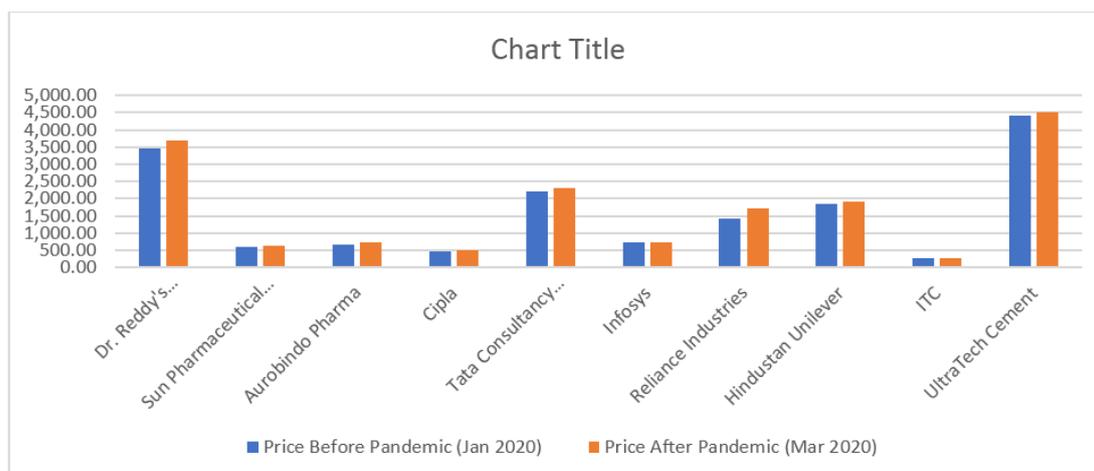
2. 2016 - U.S. Presidential Election

Wilcoxon signed-rank test / Two-tailed test:

V	19
Expected value	27.500
Variance (V)	96.250
p-value (Two-tailed)	0.432
alpha	0.05

Interpretation: Since the computed p-value is greater than the significance level ($\alpha = 0.05$), we fail to reject the null hypothesis (H_0). This suggests that the 2016 U.S. Presidential Election did not have a statistically significant impact on the analyzed variable, indicating that any observed changes could be due to random variation rather than a systematic effect of the event.

3. 2019 - COVID-19 Pandemic Outbreak

Wilcoxon signed-rank test / Two-tailed test:

V	0
V (standardized)	-2.805
Expected value	27.500
Variance (V)	96.125
p-value (Two-tailed)	0.005
alpha	0.05

Interpretation: As the p-value is lower than the significance level ($\alpha = 0.05$), we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1). This implies that the COVID-19 pandemic outbreak in 2019 had a significant statistical effect on the studied variable, highlighting its substantial impact on global economies, financial markets, or societal conditions.

4. 2021 - Meme Stock Mania & Crypto Surge

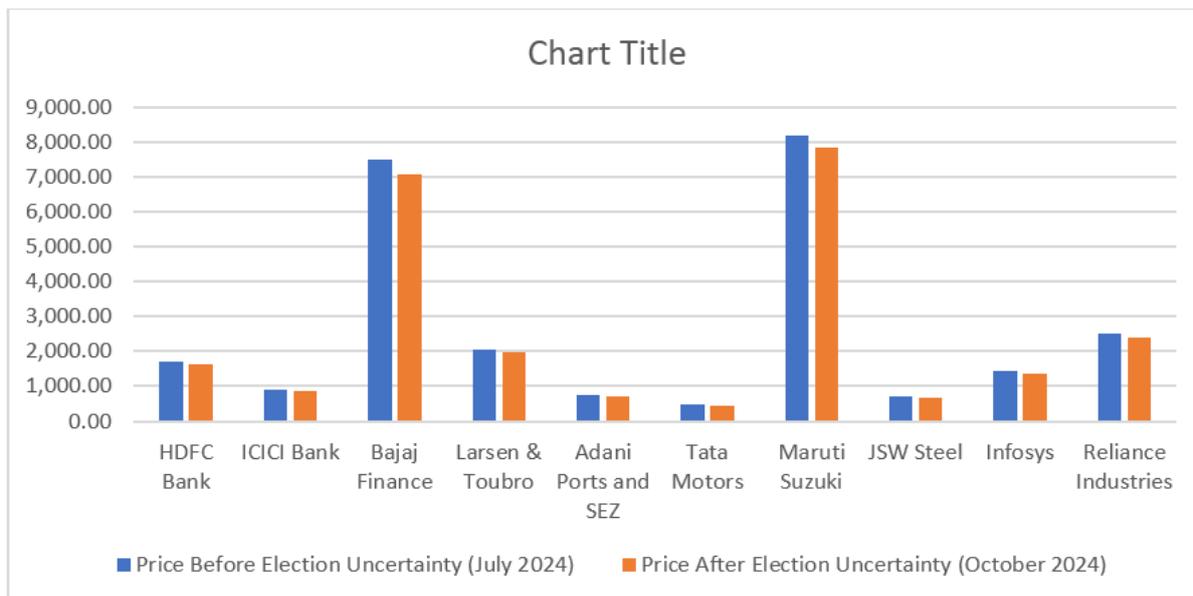
Wilcoxon signed-rank test / Two-tailed test:

V	0
V (standardized)	-2.805
Expected value	27.500
Variance (V)	96.125
p-value (Two-tailed)	0.005
alpha	0.05

Interpretation: Given that the p-value is below the significance level ($\alpha = 0.05$), we reject the null hypothesis (H_0). This suggests that the 2021 Meme Stock Mania and Crypto Surge were not just random market fluctuations but had a measurable and statistically significant influence, potentially driven by retail investor sentiment, social media trends, and speculative trading behavior.

5. 2024 - U.S. Presidential Election Uncertainty

Chart Title

Price Before Election Uncertainty (July 2024) ■ Price After Election Uncertainty (October 2024)

Wilcoxon signed-rank test / Two-tailed test:

V	55
V (standardized)	2.807
Expected value	27.500
Variance (V)	96.000
p-value (Two-tailed)	0.005
alpha	0.05

Interpretation: The low p-value ($\alpha < 0.05$) provides strong statistical evidence to reject the null hypothesis (H_0) in favor of the alternative (H_a). This implies that uncertainty surrounding the 2024 U.S. Presidential Election had a measurable and significant effect, possibly driving volatility in markets, altering investor confidence, or impacting economic indicators.

FINDINGS

- Wars, financial crises, and policy changes have had a statistically significant influence on stock prices.
- The 2016 U.S. Presidential Election was the only event where the null hypothesis was not rejected, suggesting a minimal market impact.
- Market uncertainty and investor sentiment have been major drivers of stock price fluctuations during crises.

- The most affected sectors include financials, infrastructure, IT, and metals, which react strongly to major global events.
- The COVID-19 pandemic and Russia-Ukraine conflicts were among the most disruptive events, highlighting how global instability can affect equity markets.

CONCLUSION

This study highlights the significant impact of global financial events on stock markets between 2014 and 2024. Key trends indicate that safe-haven assets (such as gold, treasury bonds, and defense stocks) tend to thrive during periods of uncertainty, while tech and growth stocks suffer the most from economic instability, interest rate hikes, and geopolitical tensions. Major financial events—ranging from geopolitical crises to pandemics and meme stock surges—have shown that investor sentiment, government policies, and macroeconomic conditions play crucial roles in shaping market movements.

However, the analysis also has limitations. It primarily focuses on short-term price movements, without fully accounting for long-term recoveries or declines. The study does not incorporate fundamental valuation metrics, broader sector- wide impacts, or

regional market differences. Additionally, government interventions, inflation adjustments, and speculative market behaviors (such as meme stocks and crypto surges) complicate traditional financial analyses.

Despite these limitations, the findings provide valuable insights for investors and policymakers. Understanding how markets react to different crises can help in developing better risk management strategies and identifying potential investment opportunities during turbulent times. Future studies could expand on this by incorporating long-term performance trends, sector-wide analyses, and the role of central bank policies to provide a more comprehensive view of financial market behavior.

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