

Impact of Terrorism on Asian Stock Markets

M. Selvam
I. M. Raja

Abstract

The prices of individual stocks reflect investors' hopes and fears about the future and taken in aggregate, stock price movements can generate a tidal wave of activity. Because of their liquidity, events like terrorist attacks, military invasions and other unforeseen disastrous occurrences can have serious implications for the prices of the stocks and bonds. The event study methodology is used to assess the effect of terrorism (September 11, 2001 terrorist attack) on Asian capital markets. In the present study, an attempt is made to examine how the Indian stock markets and their various indices (Bombay Stock Exchange and National Stock Exchange) reacted to the September 11th, 2001 terrorist attack and how the Asian stock markets reacted to it. The study found that among the Asian stock markets, Indian stock markets are more resilient than in the past and they recovered sooner from terrorist attacks than other Asian stock markets.

Dr. M. Selvam is Read or and Head, Department of Commerce and Financial Studies at the Bharathidasan University, Tiruchirappalli, Tamil Nadu, India.

Mr. I. M. Raja is a PhD research scholar, Department of Commerce and Financial Studies, at the Bharathidasan University, Tiruchirappalli, Tamil Nadu, India.