

MARTA TOLENTINO

Universidad de Castilla-La Mancha, Spain

MARÍA DEL VALLE FERNÁNDEZ

Universidad de Castilla-La Mancha, Spain

LAURA PRIETO

Universidad de Castilla-La Mancha, Spain

THE IMPACT OF RUSSIA-UKRAINE CONFLICT ON STOCK MARKET INDICES (2021-2023)

Abstract:

The Russian invasion of Ukraine has marked a turning point in the global economy, which has been reflected in the main financial markets and, therefore, in their most representative indices. A lot of studies have analyzed the contagion effect (Davidescu et al., 2023), that is, the way in which events in one stock market affect other markets. The main objective of this paper is to analyze and understand in depth the impact of the conflict between Russia and Ukraine on some of the most representative stock market indices worldwide. This objective was chosen because of the influence of geopolitical events on financial markets.

To achieve this objective, the following specific objectives are addressed. First, to identify trends and patterns of behavior in the stock markets under study, which will provide a clearer picture of how these markets react to a major international crisis. The second objective is to analyze the behavior of stock market indices in the period from one year before the start of the conflict to one year after, that is, from 24 February 2021 (one year before the start of the invasion) to 24 February 2023 (one year after the start of the conflict). Similarly, the results will be analyzed in two sub-periods: the first will comprise the pre-conflict period and the second the conflict period.

The representative indices to be analyzed are IBEX35 (Spain); S&P 500 and Nasdaq100 (United States), Nikkei225 (Japan), CAC 40 (France), DAX 40 (Germany); FTSE MIB (Italy); HANG SENG, (Republic of China); PFTS, (Ukraine) and MOEX (Russia). The weekly quotes of the indices were obtained from the "Investing" platform. Once the data had been downloaded, the weekly returns were calculated in an Excel spreadsheet and then imported into R.

The results show that the stock index whose returns are most highly correlated with the returns of the Russian and Ukrainian indices, over the full period, is the FTSE MIB (Italy). This could be indicative of the economic and trade relations between these financial markets before the war broke out. However, when analyzing the results in the two sub-periods mentioned above, it is observed that this trend only occurs in the pre-war period. This would suggest that the conflict is having a considerable impact on the relationship between these markets, which could be due to factors such as economic sanctions, commodity price volatility and geopolitical uncertainty, among others.

Keywords:

Stock market indices, Contagion effect, Russia Ukraine conflict

JEL Classification: F65, G01, G15