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THE ANNOUNCEMENT IMPACT OF HOSTING THE FIFA WORLD CUP ON HOST COUNTRY STOCK MARKETS

Abstract:

This study is an investigation of the impact of hosting the FIFA World Cup soccer tournament on the stock market of the host country when the tournament is announced. The sample under examination for this study consists of the 5 FIFA World Cups, between the period 1994 and 2010. Additional factors to be assessed include investigating whether stock markets react efficiently or show a positive reaction to hosting the FIFA World Cup. An event study research methodology is used to investigate the impact of hosting the FIFA World Cup on the stock exchange of the host country, by examining the movement of stock market returns across various event windows during the announcement and tournament starting date stages.

It is found that country stock markets react differently to the announcement of the tournament. For instance South Africa appears to show a positive trend in stock returns at the tournament announcement date, while Japan shows a decline in daily stock returns a day after the announcement of the tournament. It is found that for the tournament announcement, most countries show insignificant negative cumulative abnormal stock returns for different event windows. There are however few instances where country stock markets do show positive cumulative abnormal stock returns, with statistical significant results. The implication of this study is that FIFA World Cups have varied impacts on host country stock markets. This study contributes to the understanding of the impacts of mega sporting events on host country stock markets, with specific reference to the FIFA World Cup.

Keywords:

FIFA World Cup;announcement;mega sporting events, stock market reations

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