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Force majeure events and stock market reactions in Ukraine

This paper examines reactions in the Ukrainian stock market to force majeure events, which are divided into four groups: economic force majeure, social force majeure, terrorist acts, natural and technological disasters. More specifically, using daily data for the main Ukrainian stock market index (namely PFTS) over the period from January 1, to December 31, 2018 this study investigates whether or not force majeure events create (temporary) inefficiencies and there exist profitable trading strategies based on exploiting them. For this purpose, cumulative abnormal returns and trading simulation approaches are used in addition to Student's t-tests. The results suggest that the Ukrainian stock market absorbs new information rather fast. Negative returns in most cases are observed only on the day of the event. The only exception is technological disasters, the market needing up to ten days to react fully in this case. Despite the presence of a detectable pattern in price behavior after force majeure events (namely, a price decrease on the day of the event) no profitable trading strategies based on it are found as their outcomes do not differ from those generated by random trading.

Keywords: event study, force majeure event, Ukrainian stock market