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Do terrorist attacks harm financial markets?**A meta-analysis of event studies and the determinants of adverse impact**

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ABSTRACT

This study reassesses the common belief that terrorist attacks destabilize financial markets, by analyzing event studies covering 10,576 individual attacks and 141,665 nonattack days across 72 stock and foreign exchange markets in 36 countries from 1996 to 2015. The meta-analysis reveals that terrorist attacks have almost no impact on stock markets and only marginal effect on foreign exchange markets, though effects vary with individual attacks and markets. The number of fatalities slightly raises the likelihood of adverse impact, while the number of wounded and the magnitude of recent attacks slightly decrease it. The markets are hit less hard when attack-day returns are positive, but variance is more likely to increase in the short term. Also, the impact of an attack is stronger when the market is performing extremely well or poorly.

JEL classifications:

C22

G14

G15

F50

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