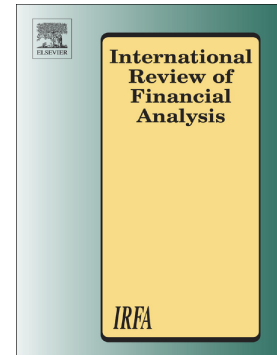


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Stock Prices and Geographic Proximity of Information: Evidence from the Ebola Outbreak*

Riste Ichev[†] and Matej Marinč[‡]

13 December 2017

Abstract

Behavioral finance studies reveal that investor sentiment affects investment decisions and may therefore affect stock pricing. This paper examines whether the geographic proximity of information disseminated by the 2014–2016 Ebola outbreak events combined with intense media coverage affected stock prices in the U.S. We find that the Ebola outbreak event effect is the strongest for the stocks of companies with exposure of their operations to the West African countries (WAC) and the U.S. and for the events located in the WAC and the U.S. This result suggests that the information about Ebola outbreak events is more relevant for companies that are geographically closer to both the birthplace of the Ebola outbreak events and the financial markets. The results also show that the effect is more pronounced for small and more volatile stocks, stocks of specific industry, and for the stocks exposed to the intense media coverage. The event effect is also followed by the elevated perceived risk; that is, the implied volatility increases after the Ebola outbreak events.

Keywords: Ebola outbreak, Information dissemination, Geographic proximity, Media coverage
Investor sentiment

JEL Codes: G10, G11, G14

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