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Long-term stock market volatility and the influence of terrorist attacks in Europe

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Highlights

- Using a variety of GARCH models, we examine the impact of European terrorism on stock market volatility in the largest European stock markets.
- We find that acts of domestic terrorism increases stock market volatility across all investigated exchanges.
- Acts of internationally inspired European terrorism do not present significant volatility effects in Ireland and Spain.
- The growth of ISIL-inspired terrorism is found to have significantly increased European stock market volatility since 2011.
- Study adds understanding of how terrorism can influence European financial market stability.

Abstract

This paper examines the influence of domestic and international terrorist attacks on the volatility of domestic European stock markets. In the past decade, terrorism fears remained relatively subdued as groups

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