


Chapter 13

Tech–Driven Market Efficiency Amid Geopolitical Tensions: The Israel–Iran Conflict's Impact on Global Indices and Sustainable Investing

K. Sanath Kumar

 <https://orcid.org/0000-0003-4429-4058>

Sahyadri College of Engineering, Mangaluru, India

K. V. Deepak

Department of Commerce, St. Aloysius University, Mangalore, India

K. Naveenkumar

Department PG Studies in Commerce, University College, Mangalore, India

ABSTRACT

This study, by taking NSE Nifty 50, DJIA, CAC, DAX, FTSE, Straits Times, Hang sang, Shanghai, Nikkei 225 and Kospi, as a reference, tries to understand and evaluate the impact of the Israel-Hamas war on these indices to demonstrate the comprehensive movements of the index prices. For elucidating the impact of the Israel-Iran war on major global index's returns the event study methodology has been used. This study analyses the change in the index prices which in turn reflects how the event affected market returns. The results underscore the differential impact of geopolitical conflicts on global stock markets. The Israel-Iran war had a significant and varied impact on global stock markets. While most indices showed declines, the

DOI: 10.4018/978-1-6684-9872-9.ch013

magnitude and direction of the changes differed across regions, reflecting diverse market sensitivities to geopolitical events.

1. INTRODUCTION:

In an increasingly interconnected and volatile global landscape, geopolitical events exert profound and often immediate effects on financial markets. Among the most impactful are military conflicts, which generate uncertainty, disrupt global supply chains, and influence investor sentiment (Ahamad et al., 2024). The recent escalation between Israel and Iran presents a critical opportunity to assess how such conflicts influence global stock markets, especially in an era where technology enables rapid information dissemination and high-frequency trading (Roomi, 2023; Koblentz-Stenzler et al., 2023).. A stock market or share market is the aggregation of buyers and sellers of stocks (Gajera, 2020). Stock indices serve as indicators of market performance. One of the most well-known is the Dow Jones Industrial Average (DJIA), which initially had a divisor of 30, though this has since been standardized. In Germany, the leading index is the DAX, which reflects the stock prices of 30 major companies (Rana et al., 2022). The Financial Times Stock Exchange 100 Index (FTSE-100) represents the top 100 British companies based on market value. Meanwhile, Japan's Nikkei 225 is a capital-weighted index comprising 225 top companies listed on the Tokyo Stock Exchange (Ewa Drabik, 2021). This study explores the efficiency of global stock markets in responding to the Israel-Iran conflict, utilizing an event study methodology to examine abnormal returns across major indices (Mohseni et al., 2022). By assessing the speed and accuracy with which market prices incorporate new information, the research contributes to the broader understanding of the Efficient Market Hypothesis (EMH) under extreme political stress. In addition to traditional market responses, this paper delves into the evolving dynamics of sustainable investing—a field that continues to grow in importance amid geopolitical instability and environmental urgency. The intersection of technology, sustainability, and market efficiency provides a unique lens through which to analyze investor behavior. Tech-driven trading systems, sentiment analysis tools, and algorithmic strategies now play a significant role in shaping market reactions, making it essential to account for their influence in contemporary financial studies. By investigating how major stock indices responded to the Israel-Iran conflict, this paper aims to provide insights into the resilience and adaptability of modern markets, the influence of technology in driving trading behaviors, and the performance of sustainable investment assets during geopolitical crises. The findings offer practical implications for investors, policymakers, and researchers navigating the complex interface of conflict, technology, and capital markets.

18 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/tech-driven-market-efficiency-amid-geopolitical-tensions/382113

Related Content

Designing and Analyzing Social Dynamics for Sustainable Educational Development

Gilbert Ahamer (2018). *Marketing Initiatives for Sustainable Educational Development* (pp. 92-118).

www.irma-international.org/chapter/designing-and-analyzing-social-dynamics-for-sustainable-educational-development/206651

Protected Natural Areas and Sustainable Development

Zaharia Marian, Rodica-Manuela Gogonea and Daniela Ruxandra Andrei (2015). *International Journal of Sustainable Economies Management* (pp. 1-15).

www.irma-international.org/article/protected-natural-areas-and-sustainable-development/130685

Off-Farm Income Effect on Farmer Response to Climate Change in the Northern Region of Ghana

Mohammed Adam, Abdul-Fatahi Alidu and Abdulai Sulemana (2022). *International Journal of Social Ecology and Sustainable Development* (pp. 1-13).

www.irma-international.org/article/off-farm-income-effect-on-farmer-response-to-climate-change-in-the-northern-region-of-ghana/315314

Global Warming, Climate Policy, and the Green Paradox

Gheorghe H. Popescu and Elvira Nica (2015). *Green Economic Structures in Modern Business and Society* (pp. 20-38).

www.irma-international.org/chapter/global-warming-climate-policy-and-the-green-paradox/129239

Fostering Sustainability: A Review on E-Waste

Afaq Ahmad and P. V. Satya Prasad (2024). *Sustainable Solutions for E-Waste and Development* (pp. 164-185).

www.irma-international.org/chapter/fostering-sustainability/338702