

ORIGINAL RESEARCH

How Did Global Stock Markets React to the Outbreak and Ceasefire Announcements of the Iran-Israel-USA War?

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Abstract

This paper aims to investigate the effect of instantaneous asset price effects for the four leading global equity indices, i.e., Nifty 50 (India), S&P 500 (US), FTSE 100 (UK) and Shanghai Composite (China) indices during the 2026 Iran-Israel-USA War, using the event study methodology. Using an event window of one day, the current research tries to uncover the asset price effects resulting from the announcements of the outbreak of war, intensification of the military action, and the ceasefires via the country level crude oil indices.

It was found that there was asymmetry at the country level that resulted from the domestic reliance on energy and the composition of the sectors. In the window of the initial conflict and escalation, developing countries that were net importers of oil suffered the most, where Nifty 50 experienced the largest fall of -3.26% on March 18 and -2.09% on March 26. However, the S&P 500 showed initial resilience ($+0.68\%$ on March 9); however, once the price of crude oil surged to the range of \$75, all four indices experienced falls in their stock prices.

The declared ceasefire on June 11 acted as the trigger of the market de-escalation mechanism, leading to the coordinated relief rallies of all four indices with Nifty 50 posting a rise of $+2.16\%$ and S&P 500 recording an increase of $+1.76\%$. On the contrary, changes in the price of oil were influenced by the demand for recovery rather than the risks of shortages during the wartime. The market reaction to the executive digital messages in real-time provides a good basis for testing the Semi-Strong Form of the Efficient Market Hypothesis in the presence of high geopolitical risks.

All of these dates were retrieved from the tweets of the President of the United States of America, Donald Trump related to ceasefire and outbreak updates during the Iran-Israel-USA war.

Keywords: Crude Oil Prices; Stock Market Fluctuations; Nifty 50; FTSE; S&P 500

1. Introduction

The trilateral geopolitical conflict between Iran, Israel, and the United States rapidly intensified in the first quarter of 2026, presenting significant global security risks and affecting international finance. The commencement of armed conflicts, military attacks, and risks of disrupting vital maritime transportation routes like the Strait of Hormuz induced volatility in the global stock and oil markets. Diplomatic talks and ceasefire agreements that followed provided an ideal opportunity to examine the efficiency and asset

pricing in financial markets amid extreme geopolitical risk (GPR). Determining how financial markets respond to geopolitical risk and military risk is a key issue in financial economics today.

This paper contributes to this empirical literature by examining the immediate stock price reactions and cumulative market adjustments around conflict outbreak dates, escalation triggers, and ceasefire announcements across four major international stock market benchmarks: India (Nifty 50), the United States (S&P 500), the United Kingdom (FTSE 100), and China (Shanghai Composite SSEC).

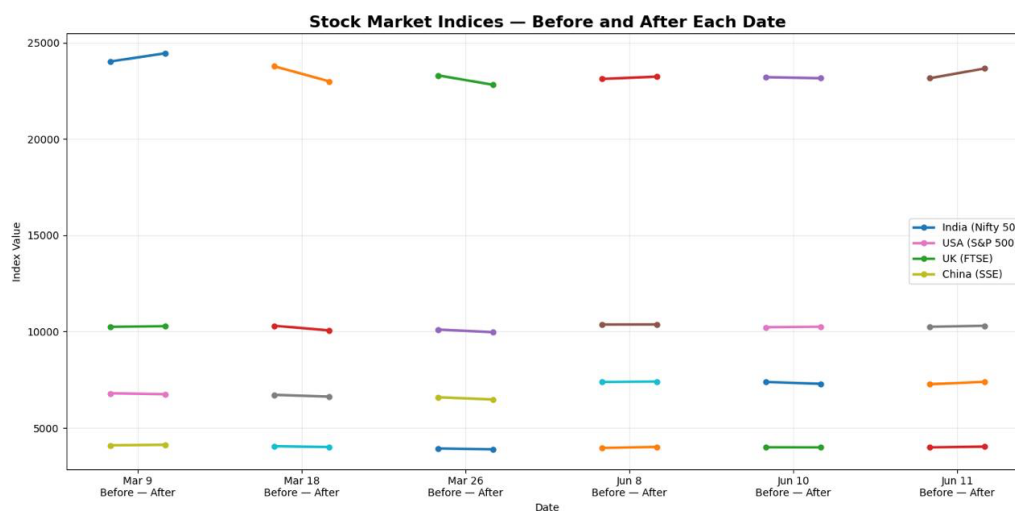


Figure 1. Stock Market Indices.

There are several important financial aspects that can be observed in this analysis of the event windows:

Stocks of countries that rely on crude oil import have reacted the most negatively in times of the escalation. India's Nifty 50 index has reacted the strongest among all four analyzed indexes by window periods (-3.26% on March 18), which is supported by many academic studies of the high susceptibility of such stock markets to the supply problems coming from the Middle East region.

The US S&P 500 index has been decoupled in times of the outbreak ($+0.68\%$ on March 9) because of the energy independence of the country and weights of the defense sector, but later fell (-1.73% on March 26) because of the problems of the global economy trade. Ceasefires announcements were the drivers for de-escalation of the situation. After the declaration of the verified ceasefire on June 11, all four international indexes increased abnormally at once: Nifty 50 ($+2.16\%$), S&P 500 ($+1.76\%$), and SSEC ($+1.10\%$).

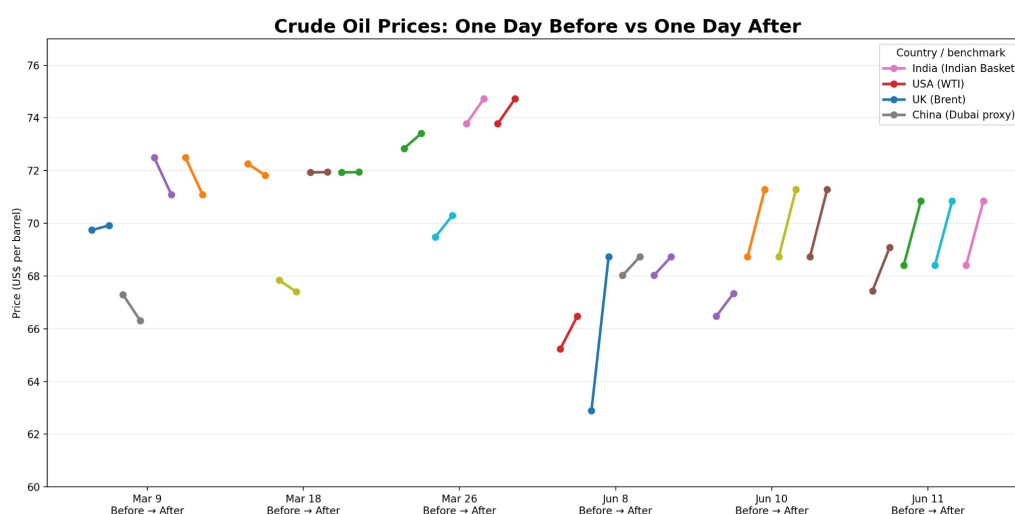


Figure 2. Crude Oil Prices.

The above chart illustrates the price reactions in terms of immediate one-day event window adjustments for four country-specific benchmarks for crude oil: India (Indian Basket), USA (WTI), UK (Brent), and China (Dubai proxy), with crude oil emerging as the main economic transmission mechanism between the Iran-Israel-USA confrontation and global stock markets. Throughout the outbreak, escalation, and the ceasefire period, the dynamics of oil price movements closely follow the abnormal returns registered by the international indices of stocks.

During the outbreak phase on March 9 and the escalation phase on March 18, there were moderate price adjustments with respect to the benchmark of crude oil ranging from \$66 to \$73 per barrel, which means that market participants have assessed the confrontation as relatively isolated with regards to its effect on the Persian Gulf energy infrastructure. As the confrontation reached its peak intensity on March 26, it is evident from the graph that there was an abrupt increase in the prices of crude oil to the range of \$75 across all benchmarks.

This combination of rising costs, squeezed margins, and inflationary expectations is what led to severe down moves in important stock market indexes around the world during the period of the height of the war most importantly the S&P 500 (−1.73%), India's Nifty 50 (−2.09%), and the FTSE 100 (−1.33%).

The graph also illustrates key cross-country structural asymmetries, particularly between net oil importers and energy-resilient economies. Emerging economies with heavy crude import dependencies, such as India, exhibited acute stock market vulnerability to shifts in the Indian Basket price, as seen in the sharp −3.26% Nifty 50 contraction on March 18. Conversely, the United States, benefiting from domestic energy production and large-cap energy and defense sector weighting, showed greater early resilience against initial crude market volatility.

Lastly, regarding the de-escalation periods following the ceasefires in between June 8 and June 11, it is evident that there are notable steep rises in just one day for all proxies graphically, with Brent Crude showing an impressive one-day rise from about \$63 to \$69 on June 8, followed by an all-proxy one-day rise after the event on June 10 and June 11. Concerning the event study analysis, the reactions following the ceasefires have taken place due to the fast unlearning of the wartime risk premiums discounts, along with the pricing of industrial demand and the resumption of trading. This stabilization has been accomplished in parallel with the stock market relief rallies around the world on June 11, where the Indian (+2.16%), US (+1.76%), Chinese (+1.10%), and UK (+0.48%) stock indexes have all risen.

All of these dates are taken from the tweets of the President of the United States of America, Donald Trump regarding ceasefire and outbreak updates during the Iran-Israel-USA war.

2. Literature Review

The theory that explains the consequences of the unexpected political events in the form of reactions of equity markets is based on the Semi Strong Form of EMH and Event Study Econometrics that were first suggested by Fama, Fisher, Jensen, and Roll (1969). The theory is also supported by Ball & Brown (1968) in their empirical analysis of the accounting data that proved that market players immediately reacted to the new information and discounted it in the prices of the assets. In this case, event study approach allows isolating the abnormal return from the normal return in the market.

Numerous works have been conducted on international finance using this technique to examine the impact of military conflicts and global events on the performance of stock markets. Ahmed, Hasan, and Kamal (2023), for example, examine the effect of Russian-Ukrainian disputes on the European stock market and identify negative abnormal average return and continuous losses following the event due to trade links, geographical proximity, and economic sanctions. Likewise, some works on the effect of Russian-Ukrainian disputes on the Balkan stock markets demonstrate that such events lead to stock market volatility and asymmetric exposure of the stock market as well as capital flight in international crises. Additionally, some works on the beginning of the Israel-Hamas conflict in various stock markets suggest that Middle Eastern wars lead to extreme adjustments.

Stock market reactions have much to do with the market structure in the native economy, the interconnectedness of trade, and energy dependency. Research carried out via event studies with respect to

the geopolitical crisis in India shows that developing countries react strongly to global events due to the quick exit of institutional investors from such economies, coupled with currency crises. Oil shocks in the stock markets of MENA countries have shown that crude oil is the economic channel through which Middle Eastern crises negatively impact net oil importers.

In addition, it is proven in the Agrokor political-corporate crisis, index change at the Zagreb Stock Exchange, as well as the results of empirical studies in Central and Eastern European stock exchanges and the Bucharest Stock Exchange concerning the influence of macroeconomic growth news, that the companies that are listed show the existence of an abnormal return pattern influenced by institutional shocks and macroeconomic news. When combining all these researches, it can be seen that the appearance of a conflict leads to negative returns for the stocks because of energy and risk effects, but the comparison of the announcement of a ceasefire and a war has not been studied yet in an international context. The purpose of this study is to fill the gap analyzing the 2026 Iran-Israel-USA conflict in India, the USA, the UK, and China.

3. Methodology

The present research aims at the examination of the reactions of major international equity markets in relation to the emergence, escalation and final announcement of the cease-fire regarding the conflict between Iran, Israel and USA in 2026. Hence, the selection of the methodological approach in this case depends on the event study methodology. It means that the research methodology implies the comparison of the directions and levels of reactions of the market to various geopolitical events depending on four basic equity indices. Meanwhile, it is necessary to take into account the fluctuations in prices for the crude oil.

In this research, the sample would consist of the Nifty 50 index of India, S&P 500 index of the USA, FTSE 100 index of the UK and Shanghai Composite Index (SSEC) of China. In order to compare the changes in the prices prior to and after each event, for all of the above-mentioned indices, the information about the closing prices of the stocks on a daily basis will be used. Together with the stock market indices, Indian Crude Basket, West Texas Intermediate (WTI), Brent Crude and Dubai/Oman Crude will be also analyzed as the proxies for the energy price component of the conflict due to its importance.

3.1 Research Design and Event Identification

Geopolitical events are the main unit of analysis. The statements from the participants, news articles, and real-time communication technologies mentioned in the study help to define the dates when the events took place. Timeline of the events comprises the following: March 9, the date of the announcement of the outbreak; March 18, the date of the announcement of the military escalation; March 26, the date of peak intensity; June 8, the date of the first ceasefire mediation; June 10, the date of the short period of friction before the deal; and June 11, the date of the ceasefire.

3.2 Measurement of Market Response

For each event, we look at how the stock market responded immediately by comparing the closing index levels right before and around the event date. To express the change in percentage terms, we use the formula:

$$\text{Return (\%)} = \frac{P_1 - P_0}{P_0} \times 100$$

In this formula, P_0 is the closing index level before the event, while P_1 is the closing level during the event window. We apply the same approach to crude oil benchmarks. This method gives us a clear and comparable way to see how the market adjusted in terms of direction and size, without bringing in extra variables that are not relevant to our study.

3.3 Event-Window Comparison

This type of event analysis involves the examination of the movements made in the market the day immediately preceding and the day after the occurrence of an event. This type of event window is

suitable in this case as the aim of the study involves determining the rapidity and direction of re-pricing in response to significant geopolitical developments. Event window technique is used for all four stock indices and the crude oil indices chosen, thus ensuring consistency across countries and types of assets.

3.4 Cross-Market and Cross-Country Comparison

In the methodology adopted, importance is given to variations in the strength of the market responses and not simply to grouping global stock markets into one homogenous unit. Events that happen in the Nifty 50, S&P 500, FTSE 100, and SSEC indices are analyzed side-by-side to see whether there was synchronization or divergence in the direction of adjustments. Similarly, the crude oil series are analyzed alongside to see whether periods of higher variation in energy prices were correlated with strong reactions in the equity markets.

3.5 Interpretation of the Event Results

This analysis will take the form of the semi-strong efficient market hypothesis in order to test the rate at which information from the geopolitical environment impacts security prices. Declines in price will be taken as an indication of uncertainty and risk premia, while increases in price following an actual ceasefire announcement will be seen as indications of lower geopolitical uncertainty. Therefore, the methodology is used to relate the findings regarding the impact on price to the specific timing and nature of the event, without losing focus on the stock and crude oil market effects described in the literature review.

4. Discussion

This research paper gives an important econometric insight on the manner in which international equity benchmarks and energy commodity markets react to, pass on, and settle extreme geopolitical shocks. Using the multi-phase 2026 conflict between Iran, Israel, and the USA during its key outbreak, escalation, peak war, and ceasefire announcement phases, this research paper tests the applicability of the Efficient Market Hypothesis (EMH) amid extreme geopolitical risk (GPR) situation. From the results, the transmission of geopolitics shocks from one economy to another is not consistent but rather appears to be influenced by energy reliance, interconnectedness of trade relations, sector weightings, and speed of information dissemination through modern executive communications.

The first market response on March 9 provides evidence of the early discrepancy between reactions of global stock markets to the coordinated military operation after its announcement. The Indian Nifty 50 fell -1.73% (24,450 to 24,028), the Shanghai Composite (SSEC) fell -0.68% (4,124 to 4,096), and the UK FTSE 100 fell -0.34% (10,284 to 10,249) while the US S&P 500 showed an abnormal rise of $+0.68\%$ (6,749 to 6,795). Such market responses match the theories of geopolitics in asset pricing since the first stage of the conflict shock includes only selective asset pricing but not a global panic. American stock markets may have been insulated from Asian stock markets due to high production of energy within the country and presence of many firms in the sector of defense, aerospace, and energy in the US stock market indices.

During the period when the situation escalated into full-scale military confrontation on March 18 and reached its peak on March 26, the available empirical data show that there was an immediate sell-off of equities globally. There is an evident single-window drawdown in India's Nifty 50 of -3.26% (23,777 to 23,002) on March 18 and significant drawdowns for UK FTSE 100 of -2.35% (10,305 to 10,063), US S&P 500 of -1.37% (6,716 to 6,624) and China's SSEC of -1.38% (4,062 to 4,006). Negative momentum has continued in the peak war period on March 26 with further drawdowns in Nifty 50 of -2.09% , in S&P 500 of -1.73% , in FTSE 100 of -1.33% and in SSEC of -1.07% . All the drawdowns listed above are the confirmation of empirical evidence provided by Salisu et al. (2022) according to whom geopolitical risk such as closure of maritime transport routes, retaliatory ballistic strike and multilateral sanctions can do more harm than localized physical strike. At this point, the

international investors have started to increase their discount rate, considering cost push inflation and investing into safe assets like gold, US treasury bills and US dollar.

Analysis of the crude oil benchmarks allows us to determine precisely what the quantitative link between the Middle Eastern conflicts and equity markets' performance is. During the first two stages of the conflict when it broke out and started increasing, the price of crude oil was quite stable within the range of \$73 per barrel since there was an attempt to estimate how the conflict could affect the infrastructure of the Persian Gulf. However, on March 26, the day of the peak of the war, the price of crude oil sharply grew simultaneously for all four benchmarks; to be more precise, Indian Basket went up to \$74.70, WTI increased to \$74.70, Brent to \$70.30, and the price for proxies Dubai climbed up to \$73.40. The reason for such unity in the price is the inclusion of extreme supply risks and possible blockade of the Strait of Hormuz into the price of crude oil. Energy is the core input in macroeconomics, so the growth of the price of crude oil may lead to compression of margins of companies, inflation expectations, and change in monetary policy of central banks.

Taking all into account the analysis on the impact of the cross country effect carried out above, it can be concluded that there exists structural asymmetry between the structure of the net oil importers and energy resilient economies. India turns out to be the most vulnerable economy because it is highly dependent on the import of oil from the other countries, and it satisfies more than 85 percent of its needs through this channel. The rise in price of international crude oil will have an impact on the trade balance of India; it will lead to the increase in the cost of oil in India, depreciation of Indian rupee and the immediate withdrawal of foreign institutional investors. On the other hand, the US is structurally immune from the impacts of the outbreak since it is an energy exporter. But, eventually, it also suffered from macroeconomic and domestic disruptions owing to the reduction in equity when the war escalated. There exist some defensive traits of the FTSE 100 index of UK, and this may be due to the existence of multinational energy companies like Shell and BP.

Empirical data regarding the pace of market recovery and its significance can be obtained from the process of resolving the conflict according to the ceasefire declarations of June 8, June 10, and June 11. The initial phase of the de-escalation process on June 8 yielded positive results in price changes as China's SSEEC increased by +1.29%, while India's Nifty 50 index went up by +0.51%. On June 10, a short-term diplomatic clash and leaks had a negative impact on markets and caused a temporary downturn, especially on S&P 500 (−1.62%). However, following the official declaration of the ceasefire on June 11, all four world indices made a coordinated relief rally. Thus, India's Nifty 50 increased by +2.16% (+501 points), US S&P 500 by +1.76% (+128 points), China's SSEEC increased by +1.10% (+44 points), and UK FTSE 100 by +0.48% (+49 points).

This trend in the benchmark prices of crude oil during the period of ceasefire is a very significant phenomenon in the market. Apart from the fact that the prices did not drop following the cessation of hostilities, the prices of benchmark stock actually surged daily, with Brent crude going up from \$62.90 to \$68.70 on June 8 and above \$71 on June 11, and then WTI and Indian Basket. With respect to asset pricing in the financial market, it means that the market has very quickly readjusted its pricing of normal demand for economic growth.

Regarding the research methodology, this paper revealed that the online statements issued by the US President, Donald Trump, via the Twitter/Truth Social platform are immediate shocks to the world's capital markets in terms of information frequency. In today's world, such statements posted by political leaders on social media platforms are not transmitted to the capital markets through the diplomatic channels and press releases; rather, they generate information that is immediately processed by the algorithms and is implemented by individual and institutional traders in the markets. According to the results of the analysis conducted, the global stock markets were efficient regarding the semi-strong version because of the economic impact of each presidential statement in one-day time window. The absence of pre-event information before March 9 reveals the element of surprise of the first attack announcement, whereas the price discovery on June 11 reveals the instant disappearance of the geopolitical risk premium due to the conflict resolution.

5. Conclusion

Indeed, it is clear that the findings provide evidence of a substantial heterogeneity in the response of global equity markets to the development and aggravation of the crisis. The worst contraction of these markets has been observed during the times of increased geopolitical risk and increases in the prices of crude oil. It is evident that India has suffered the greatest loss in total terms throughout the conflict period, while the U.S. has demonstrated greater resistance at the initial stage but later succumbed to other economic factors. Conversely, the news about the cessation of hostilities on June 11 has triggered a unified rally in the studied stock markets' performances. In the framework of Efficient Market Hypothesis, it is right to state that the analyzed inter-market price movements comply with the idea of semi-strong efficiency, as the equity prices incorporated the announced geopolitical events. In spite of this, however, the one day price movements cannot be used to conduct an empirical analysis of the semistrong form of efficiency, as the proof of this concept involves demonstrating that the price movements have adjusted themselves on the basis of all publicly available information without any abnormalities thereafter. EMH will be treated as a theory in this research rather than a hypothesis, with pricing being used to interpret risk repricing in large equity markets alongside crude oil.

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