

Independent study title	IMPACT OF DOW JONES SUSTAINABILITY INDEX ANNOUNCEMENT ON STOCK RETURN AND VOLUME IN EMERGING AND EUROPEAN MARKET
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ABSTRACT

This study investigates the impact of the Dow Jones Sustainability Index (DJSI) announcement on stock return and volume in the emerging and European market from 2014 – 2018. First, an event study was employed to examine the impact of inclusion, continuation, and exclusion events on stock return and volume by obtaining the abnormal return and volume. The DJSI announcement signals to the market that for companies, inclusion is favorable whereas exclusion is not. Moreover, continuation of the company in the DJSI also sends information to the market, for instance, a continuation event signals reliability of the sustainability strategy of the company. For an emerging market, inclusion revealed a significant positive abnormal return on the announcement date, whereas exclusion had a significant negative counterpart. Continuation has no impact on stock return. In terms of abnormal volume, inclusion, continuation, and exclusion showed significant positive abnormal volume in the event period. For a European market, significant positive abnormal return occurred for companies included time of the announcement date. By contrast, exclusion revealed a significant negative abnormal return on the announcement date. Continuation had no impact on stock return. Inclusion, continuation, and exclusion indicated significantly

positive impacts on abnormal volume in the European market. Investors in the European market are interested in sustainable investment, so, they adjust their portfolio and consequently affect the trading volume of stocks.

Second, this work compares the impact of the DJSI announcement on stock return and volume between emerging and European markets. The result shows that more sustainable investment occurs in European rather than the emerging market in terms of inclusion and continuation (abnormal return and abnormal volume are higher). However, regarding exclusion, investor from the emerging market have more sustainable investment in the European market. The European market is a green leader and has greater awareness about sustainability, but a companies in the emerging market have begun to recognize sustainable management.

Keywords: abnormal return, abnormal volume, sustainability, DJSI, Emerging market, European market