

Stock Market Returns and Mixed-Frequency Geopolitical Risk

Erik Haugom*

Department of Economics, Inland Norway University of Applied Sciences, Lillehammer, 2318 Hamar, Norway

Introduction

Stock market returns refer to the percentage increase or decrease in the value of a stock or a group of stocks over a specified period of time. Investors and analysts use stock market returns as a way to measure the performance of the overall stock market or individual stocks. Stock market returns are influenced by a variety of factors, including macroeconomic conditions, company-specific news and events, and investor sentiment. Changes in any of these factors can cause stock prices to rise or fall, resulting in positive or negative returns for investors.

One of the most significant factors that can affect stock market returns is macroeconomic conditions. Economic indicators such as GDP growth, inflation, and interest rates can all have a significant impact on the stock market. For example, when the economy is growing, investors may be more optimistic about the future prospects of companies and the overall stock market, leading to higher stock prices and positive returns. On the other hand, if the economy is in a recession or experiencing slow growth, investors may be more pessimistic about the future prospects of companies and the overall stock market, leading to lower stock prices and negative returns.

Another factor that can influence stock market returns is company-specific news and events. This can include earnings reports, mergers and acquisitions, and product launches. Positive news or events can lead to an increase in investor confidence and higher stock prices, while negative news or events can lead to a decrease in investor confidence and lower stock prices. Investor sentiment is also an important factor that can impact stock market returns. Investor sentiment refers to the overall mood or attitude of investors towards the stock market or individual stocks. Positive sentiment can lead to increased demand for stocks and higher stock prices, while negative sentiment can lead to decreased demand for stocks and lower stock prices [1].

In addition to these factors, there are several other considerations that can affect stock market returns. For example, market volatility and fluctuations in currency exchange rates can impact stock prices and returns. Changes in government policies and regulations can also have an impact on the stock market, as can shifts in global geopolitical events. It's important to note that stock market returns can be highly volatile and unpredictable, and past performance is not always indicative of future results. This is why many investors choose to diversify their portfolios by investing in a range of stocks and other assets, such as bonds and real estate, to help mitigate risk and maximize returns over the long term [2].

There are several ways to measure stock market returns, including indices such as the S&P 500, Dow Jones Industrial Average, and NASDAQ Composite. These indices track the performance of a group of stocks and are often used as a benchmark to compare the performance of individual stocks

or portfolios. Investors and analysts also use various metrics to analyse stock market returns, such as price-to-earnings (P/E) ratios, price-to-sales (P/S) ratios, and dividend yields. These metrics can provide insights into the valuation of individual stocks or the overall stock market and can help investors make informed decisions about buying or selling stocks [3].

In conclusion, stock market returns are influenced by a variety of factors, including macroeconomic conditions, company-specific news and events, investor sentiment, market volatility, and government policies and regulations. Investors and analysts use various metrics and benchmarks to measure and analyse stock market returns and make informed decisions about buying or selling stocks. While stock market returns can be volatile and unpredictable, diversification and a long-term investment strategy can help mitigate risk and maximize returns over time [4].

Description

Mixed-frequency geopolitical risk is a type of risk assessment that takes into account the various sources of risk that can impact global markets and economies. This type of analysis looks at a range of factors, including political events, social unrest, economic indicators, and environmental factors, to provide a comprehensive picture of the potential risks that could affect investments [5].

One of the key challenges in analysing geopolitical risk is the fact that it can arise from a variety of sources and can be difficult to predict. For example, political instability in one country can have ripple effects across the global economy, while a natural disaster in another country can disrupt supply chains and impact the price of commodities. Mixed-frequency geopolitical risk analysis seeks to address these challenges by taking a more holistic approach to risk assessment. This approach involves looking at a range of indicators and data sources, including macroeconomic indicators, social and political data, and news reports, to provide a more nuanced and comprehensive view of the potential risks that could impact investments.

One key benefit of mixed-frequency geopolitical risk analysis is that it can help investors and analysts to identify emerging risks and take proactive measures to mitigate those risks. For example, if a particular country or region is showing signs of political instability, investors may choose to reduce their exposure to that market or invest in defensive assets such as gold or bonds.

Another benefit of mixed-frequency geopolitical risk analysis is that it can help investors to better understand the connections between different markets and regions. For example, if there is political unrest in one country, this could impact the price of commodities that are produced in that country and sold globally. Understanding these connections can help investors to make more informed decisions about their investments and better manage their risk exposure. There are several challenges associated with mixed-frequency geopolitical risk analysis. One of the key challenges is the fact that the data sources used in this type of analysis can be highly subjective and difficult to quantify. For example, news reports can be biased or incomplete, and social and political data can be difficult to interpret and compare across different countries and regions. Another challenge is the fact that geopolitical risks can be highly unpredictable and can arise suddenly and unexpectedly. This can make it difficult for investors to react quickly and effectively to mitigate their risks.

*Address for Correspondence: Erik Haugom, Department of Economics, Inland Norway University of Applied Sciences, Lillehammer, 2318 Hamar, Norway, E-mail: erik.haugom55@inn.no

Copyright: © 2023 Haugom E. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.

Received: 03 January, 2023, Manuscript No. bej-23-94533; **Editor Assigned:** 05 January, 2023, PreQC No. P-94533; **Reviewed:** 16 January, 2023, QC No. Q-94533; **Revised:** 23 January, 2023, Manuscript No. R-94533; **Published:** 30 January, 2023, DOI: 10.37421/2151-6219.2023.14.422

Conclusion

Despite these challenges, mixed-frequency geopolitical risk analysis can be a valuable tool for investors and analysts looking to manage their risk exposure in an increasingly complex and interconnected global economy. By taking a comprehensive and holistic approach to risk assessment, investors can gain a deeper understanding of the potential risks that could impact their investments and make more informed decisions about their portfolios.

References

1. Vidal, Daniel Diaz. "Economics through film: Thinking like an economist." *Int Rev Econ Educ* 35 (2020): 100186.
2. Duzhak, Evgeniya. "The effects of the chair the fed simulation on high school students' knowledge." *Am Econ* 66 (2021): 74-89.
3. Engelhardt, Bryan. "Learning in the time of Covid-19: Some preliminary findings." *Int Rev Econ Educ* 37 (2021): 100215.
4. Fernandez, Jose M. "What do economic education scholars study? Insights from machine learning." *J Econ Educ* 52 (2021): 156-172.
5. Grimes, Paul W., and Franklin G. Mixon Jr. "Who publishes in economic education? A bibliographic analysis of the first 50 years of the journal of economic education." *Am Econ* 66 (2021): 137-159.

How to cite this article: Haugom, Erik. "Stock Market Returns and Mixed-Frequency Geopolitical Risk." *Bus Econ J* 14 (2023): 422.