

# The Euphoria Effect of UEFA Champion League Final on Asian Stock Market

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## Abstract

Football is the most popular sport in the world. It can make personal attachment to the supporters. One of the most wanted football events is UEFA Champion League Final. It can create euphoria in the supporters. The euphoria will affect the stock market behaviour. This research examines whether investor's performance affected by the football euphoria. This research is important in term of market efficiency, behavioural finance, and portfolio strategy.

This paper examines the UEFA Champion League Final affects on the World index, EAFE index, Pacific index, and 14 Asian stock markets. This paper wants to figure the seasonality of the euphoria during the UEFA Champion League Final.

This study conducts non parametric test such as: Holt Winters, Kruskal-Wallis, and Wilcoxon Signed test. The period of this study is from 1999 up to 2008. The results showed that there are euphoria effects of UEFA Champion League Final on the stock markets. Further, the results also showed that there is seasonality in stock markets caused by the euphoria of UEFA Champion League Final. Future research can employ the same issue in other regions. Another research should be conducted by finding the effect in shorter period or longer period.

**Keywords:** Investor Irrationality, Football Euphoria, Asian Stock Market Behavior, Behavioral Finance

## 1. Introduction

Generally, 1+1 does not always equal to 2 in the psychology perspectives. The cognitive in human logic thinking might be affected by human psychology. Finance theory assumes this behaviourism to be rational (Thaler, 1980). It can be seen on the foundation of expected utility theorem. This major stream proposes human will behave logical, rational, and probability calculation in their decision process (Tufan, 2004). However, as there are anomalies in market, finance scholars argue and reject this rational behaviour assumption. Kahneman and Tversky (1979) propose the role cognitive in economic decisions. The cognitive or intuition could replace the rational behaviour or logical way in place of calculating probability (Yazici, 2003). Further, Kahneman (2002) also address that intuitive judgement may be corresponding the perception operation and deliberate the reasoning operation. It means that mood, confidence, mental, emotion, temper can have significant influences on economic decision making.

Stock market anomalies are based on the investor psychology along with other factors (Turfan, 2003). Weather, Moon, Lunch Breaks, and human neuron are the affecting factor of human psychology. For instance, Saunders (1993) finds the relationship between the cloud cover level in New York and the equity returns in New York. In Saunders paper, it surmised when the level of cloud cover was 100%, the stock returns were significantly dispersed negative from the average, and when the clouds cover level was 0-20%, the stock returns were significantly dispersed positive from the average. Gao (2009) investigates the lunar phase effect on two major Chinese stock market return. Gao showed the returns are relatively lower and higher in new moon and full moon, respectively. Azarmi (2002) has investigated if the lunch break on Chinese stock market affects the market returns. Azarmi favour the lunch break has effects on market volatility. Meanwhile, this study wants to investigate the role of football euphoria in stock market of the world.

Football is one big industry in the world nowadays. It is also the most populist sport in all around the world (Note 1). Deloitte Football Money League in 2007 surmised that European Football industry has generated about 3.35 billion Euros revenues annually. Large number of Institution and retail investors are mainly supporters in certain European clubs (Benkraiem, Louhichi, and Marques, 2009) such as AC Milan, Manchester United, Barcelona, Real Madrid, Chelsea, Arsenal, and others club. This emotional attachment may bring those investors to out of their bounded rationality.

The emotion attachment can be seen in many ways in term of financial perspective. Recently, Manchester United, the biggest football club in world, has financial distress problem. The Manchester United Supporter Association, called Red Knight, did fund rising to tackle this problem (Note 2) Before, Newcastle United, Aston Villa, and Liverpool supports also planned to do the same thing.

The emotion attachment also can be seen in the IPO process. Tottenham Hotspur, the first football team went IPO, raised £3.3 million or equivalent to £100million today because the involvement of football supporters (Gannon, Evans, and Goddard, 2006). It also happened to Millwall in 1989 and Manchester United 1991. Another emotion attachment can be seen in emotion sentiment in Listed Football Club price volatility. Brooks et al (2009) conducted research to examine the influence of match result on clubs stock prices. By panel regression of 19 clubs, Brooks et al