

**The London 2012 Olympic Games Announcement and
its Effect on the London Stock Exchange**

Dimitrios Asteriou	Aristeidis Samitas	Dimitrios Kenourgios
Hellenic Open University, Patras Greece	University of the Aegean, Chios, Greece	University of Athens, Athens, Greece

Abstract

This paper investigates the reaction of the London Stock Exchange to the announcement of the city hosting 2012 Summer Olympic Games. The expectations of the Olympic Games, are the anticipation of massive economic boosts to the host cities. These expectations are presumed to be translated into positive stock price returns. This research examines the London Stock Exchange industrial indices reactions to this announcement in July 2005. In order to evaluate the returns we employ regressions with GARCH and TARARCH models that contain the appropriate dummy variables together with Event Study Analysis. The empirical results suggest an overall positive impact of the announcement on the London Stock Exchange, something that is consistent with previous studies in the topic. However, this result is not consistent for all indices while there were some negative effects as well. This can be explained by the fact that soon after the announcement a terrorist attack took place in London that may have affected reversely the general positive feeling in the Stock Market.