



# Economic Situation and Strategy

19 July 2024

## Football championships: an economic and stock market booster?

51 exciting matches, a total of 117 goals and a new European champion from Spain - that's the balance sheet of this year's UEFA European Football Championship. Even though the summer fairytale did not quite work out for Germany and the German team had to admit defeat to the new European champions in the quarter-finals, there was a great atmosphere in the stadiums, at public viewings or when watching football in the living room at home. Irrespective of this, however, the question arises as to whether football events such as European or World Cups have a positive effect on economic growth in the home country - after all, thousands of fans flock to stadiums, restaurants and hotels. So do major sporting events trigger an economic boost and possibly promote a stock market rally?

### The effect on the economy

At first glance, the economic effects of major sporting events appear to be clear. On the one hand, the host country's economy benefits from infrastructure investments, while on the other hand, the hospitality industry in particular benefits from increased consumer spending during the championships. But in reality, is there really a positive effect on the economy? Studies indicate that there is no statistically significant (positive) effect between a European Championship or World Cup and the gross value added of the host country.<sup>1</sup> Why is that? Extensive infra-

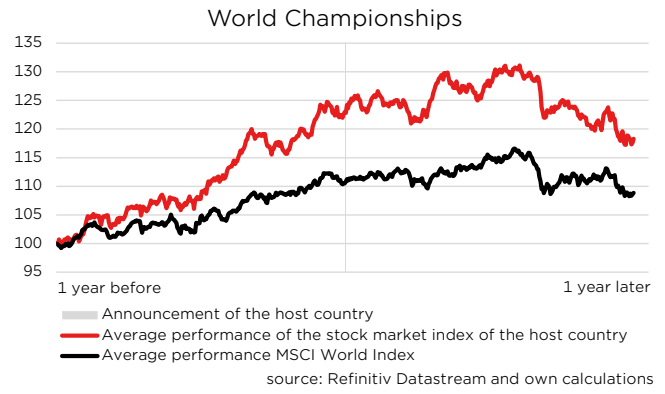
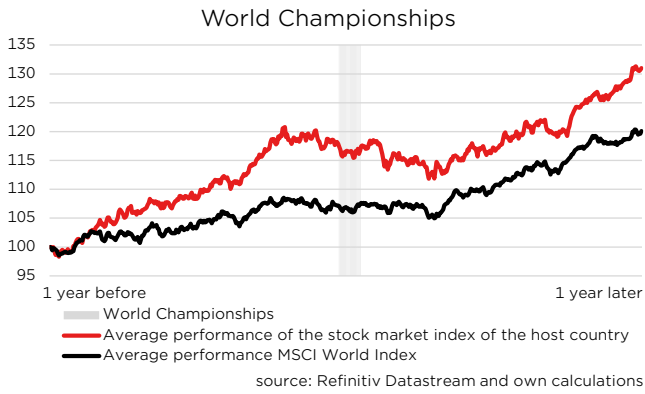
structure investments are not always necessary in advance, and even if they are, the positive benefit is not necessarily given if the infrastructure remains unused afterwards. Although many football fans flock to the host country during the tournament, there are crowding out effects: Other tourists stay away, so from the hoteliers' point of view this does not necessarily result in an increase in turnover. Although football fans buy jerseys or tickets, they save money elsewhere - after all, wages do not increase due to a European Championship or World Cup. But there are also pull-forward effects: for example, a new television is not purchased at Christmas, but in the run-up to the football championships. Future consumption is therefore at the expense of current consumption.

### Positive impulses for the stock markets?

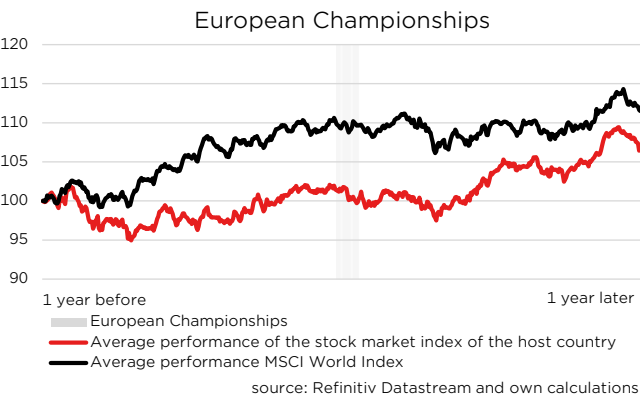
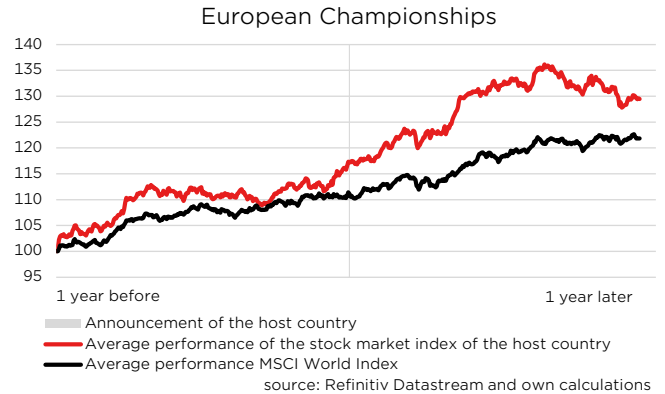
While a positive effect of international football championships on the economy is rather questionable and difficult to identify, there may nevertheless be a positive effect on the stock markets. In order to test this thesis, we have examined the performance of the stock market index of the respective host country in more detail and compared it with the performance of the MSCI World Index, which serves here as a proxy for general stock market performance. The World and European Championships since 1992 serve as the sample.

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<sup>1</sup> E.g.: Beckmann, J., Jannsen, N. (2024). Gesamtwirtschaftliche Auswirkungen von Fußball-Großveranstaltungen. Kiel Insights.



In a first step, we analyzed the average performance of the country index of the host country (red line) and that of the MSCI World Index (black line) in the period from one year before to one year after the event. An interesting pattern emerges here: in the run-up to the World Cups, the country indices outperform the MSCI World Index. Immediately before and after the World Cup, however, the average better performance declines and the performance of both indices is the same afterwards. However, the picture is reversed for the last eight European Championships (excluding 2024): Here, the country indices recorded a worse performance on average in the run-up to the championships and were the first to catch up again with a time lag. If the European and World Championships are considered together, no clear statement can be made.



But are positive effects possibly already priced in and occur much earlier? To investigate this question, we also examined the relative performance of the country index one year before and after the announcement of the host country. Here, both World Cups and European Championships actually show a relatively better average performance of the country indices compared to the MSCI World, with the effect being stronger for World Cups.

## What is our conclusion?

Even if the German economy could really do with an economic boost at the moment, the economic impetus from the European Championships is likely to be limited this year. It is difficult to measure the extent to which soft factors such as the attractiveness of the host country as a business location or a better mood have a positive influence on labor productivity. Furthermore, our empirical results should be interpreted with caution and should not be used as the basis for an investment strategy. Why? Firstly, it is the average performance. This means that there are cases in our sample where the performance of the country indices is worse relative to the MSCI World. Secondly, the relative under- or outperformance does not necessarily have to be exclusively due to the football championship, but can instead also be explained by monetary or fiscal policy stimuli. Thirdly, many companies operate internationally and do not generate their profits exclusively at home, meaning that the performance of the stock market indices of the host countries is influenced by economic stimuli from abroad.

By the way: for all sports enthusiasts, the next major sporting event is just around the corner with the Olympic Games in France from July 26 to August 11, 2024.

Simon Landt

## Market data

	As of 19.07.2024 08:22	12.07.2024 -1 week	18.06.2024 -1 month	Change versus 18.04.2024 -3 months	18.07.2023 -1 year	29.12.2023 YTD
<b>Stock markets</b>						
Dow Jones	40665	1,7%	4,7%	7,6%	16,3%	7,9%
S&P 500	5607	-0,2%	2,2%	11,9%	23,1%	17,5%
Nasdaq	17871	-2,9%	0,1%	14,5%	24,5%	19,1%
DAX	18355	-2,1%	1,2%	2,9%	13,8%	9,6%
MDAX	25587	-1,2%	0,0%	-2,3%	-8,8%	-5,7%
TecDAX	3346	-1,9%	0,3%	4,2%	4,7%	0,2%
EuroStoxx 50	4870	-3,4%	-0,9%	-1,3%	11,5%	7,7%
Stoxx 50	4442	-3,0%	-1,6%	2,5%	12,6%	8,5%
SMI (Swiss Market Index)	12248	-1,0%	1,7%	9,1%	10,3%	10,0%
Nikkei 225	40064	-2,7%	4,1%	5,2%	23,3%	19,7%
Brasilien BOVESPA	127652	-1,0%	6,7%	2,8%	8,3%	-4,9%
Indien BSE 30	81014	0,6%	4,8%	11,8%	21,3%	12,1%
China CSI 300	3531	1,7%	-0,4%	-1,1%	-8,4%	2,9%
MSCI Welt	3580	-1,3%	1,6%	9,1%	17,7%	13,0%
MSCI Emerging Markets	1106	-1,6%	2,2%	8,6%	8,2%	8,0%
<b>Bond markets</b>						
Bund-Future	132,63	90	3	142	-163	-459
Bobl-Future	116,70	31	-7	-38	50	-258
Schatz-Future	105,77	9	1	41	71	-78
3 Monats Euribor	3,68	2	1	-23	-3	-20
3M Euribor Future, Dec 2024	3,24	-1	-6	3	2	94
3 Monats \$ Libor	5,54	-1	-7	-5	-5	-5
Fed Funds Future, Dec 2024	4,83	0	-14	-18	86	100
10 year US Treasuries	4,21	3	-1	-43	42	34
10 year Bunds	2,44	-1	7	-3	9	44
10 year JGB	1,04	2	10	20	57	42
10 year Swiss Government	0,56	-7	-14	-18	-33	-13
US Treas 10Y Performance	598,46	-0,1%	0,5%	4,6%	0,6%	-0,4%
Bund 10Y Performance	557,00	0,7%	0,3%	1,5%	2,4%	-1,5%
REX Performance Index	444,82	0,4%	0,2%	0,8%	2,4%	-0,7%
IBOXX AA, €	3,31	-6	-12	-12	-27	24
IBOXX BBB, €	3,83	-6	-18	-18	-63	8
ML US High Yield	7,78	-10	-21	-63	-58	-1
<b>Commodities</b>						
MG Base Metal Index	418,52	-3,4%	-1,4%	-3,9%	8,3%	7,1%
Crude oil Brent	84,57	-1,5%	-0,6%	-2,9%	6,2%	8,9%
Gold	2417,79	0,2%	4,1%	1,5%	21,9%	17,1%
Silver	30,02	-2,9%	2,1%	5,9%	19,5%	23,8%
Aluminium	2326,24	-3,7%	-4,4%	-11,1%	7,9%	-0,8%
Copper	9254,90	-4,9%	-2,9%	-4,1%	9,6%	9,3%
Iron ore	108,73	-0,8%	1,5%	0,7%	-3,1%	-20,3%
Freight rates Baltic Dry Index	1912	-4,3%	-2,5%	0,6%	84,4%	-8,7%
<b>Currencies</b>						
EUR/ USD	1,0887	0,0%	1,6%	1,9%	-3,3%	-1,5%
EUR/ GBP	0,8415	0,2%	-0,6%	-1,7%	-2,0%	-2,9%
EUR/ JPY	171,79	-0,6%	1,4%	4,2%	10,5%	9,9%
EUR/ CHF	0,9681	-0,7%	1,8%	-0,2%	0,4%	4,5%
USD/ CNY	7,2675	0,2%	0,1%	0,3%	1,2%	2,3%
USD/ JPY	157,38	-0,3%	-0,3%	1,8%	13,4%	11,6%
USD/ GBP	0,77	0,4%	-1,9%	-3,8%	1,2%	-1,4%

Source: Refinitiv Datastream

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