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Headlines, Hype, And Hostilities: Media Narratives and Stock Market Returns During The Israel–Hamis War

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Abstract

This paper examines the relation between media narratives about the Israel–Hamis war and stock market returns in four Middle Eastern economies: Saudi Arabia, Qatar, Egypt, and Jordan. Using coverage from major Western newspapers, we identify seven conflict-related topics and construct weekly measures of media sentiment and attention to capture both the tone and intensity of reporting. The results show substantial heterogeneity across countries, topics, and market states. Jordan, the only frontier market in the sample, exhibits the strongest and most pervasive sensitivities to media-based indicators, while the three emerging markets, Saudi Arabia, Qatar, and Egypt, display more selective associations. Relationships are most pronounced in the tails of the return distribution, highlighting the importance of narrative-specific information during periods of heightened market stress or exuberance. Overall, the findings underscore the value of disaggregated media-based indicators in understanding how geopolitical shocks transmit to financial markets in emerging and frontier economies.

Keywords: Emerging Markets; Geopolitics; Media Sentiment; Textual Analysis; Topic Modeling