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Press Release

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Study links media restrictions to financial market volatility

MIAMI (DATE) – A new study published in the *Journal of Portfolio Management*, identifies press freedom as a factor that can impact financial markets, influencing stock prices—including major indexes like the S&P 500—government bonds, and sectors like real estate, where uncertainty can impact property values and investment flows.

The study was led by Florent Rouxelin and Diogo Duarte, both professors of finance at FIU's College of Business.

"The world is entering a period of geopolitical shifts, and understanding the financial implications of press freedom is more relevant than ever," Rouxelin said. "This study can provide a framework for investors, policy makers and analysts to integrate media independence into risk assessment models."

Using Freedom House's "Freedom of the Press" (FOTP) index, researchers studied the financial market volatility of 12 countries: Australia, Brazil, Canada, China, France, Germany, Great Britain, India, Japan, Korea, Russia and the United States.

By applying a statistical model, researchers were able to quantify the financial impact of press freedom fluctuations in those countries.

"Press freedom influences market volatility by shaping economic uncertainty. When press restrictions tighten, uncertainty tends to rise, affecting asset prices and risk management strategies," Rouxelin said. "Media freedom impacts the flow of information, which in turn affects financial stability. This underscores its role not just as a democratic value but also as a key factor in economic resilience."

Countries like Brazil, Russia, China, and India showed the biggest swings in financial market volatility when press freedom changed. Meanwhile, China and Russia recorded the highest average FOTP scores, consistent with higher levels of media restrictions. The United States, though ranking among the lowest in press restrictions, exhibited periodic fluctuations in press freedom over time.

The markets most at risk to volatility from press restrictions are financial services, media companies and real estate.

Evergrande, one of China's largest real estate developers, collapsed under massive debt, providing a real-world example of how press restrictions contribute to financial instability. To control the narrative, the Chinese government restricted media coverage, delaying investor reactions and creating a false sense of stability. But as the situation worsened, panic set in, triggering sell-offs and deepening the crisis. Rouxelin's findings confirm that press restrictions distort market signals, delaying financial shocks but making them more severe when they hit.

Rouxelin says the study offers actionable insights for investors, who can mitigate risk from declining press freedom by reallocating capital to more transparent markets. He also recommends adjusting sovereign bond exposure and employing financial tools like credit default swaps (CDS) and volatility derivatives.

The study was conducted with Yuri F. Saporito and Rodrigo Targino of Fundação Getúlio Vargas (FGV) in Brazil.

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