University of Zurich[UZH]

Department of Banking and Finance
Chair of Quantitative Finance

Master thesis

ESG Sentiment and Stock Market Reaction

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Abstract

wording

In light of heightened sustainability awareness, asset managers are not only expected to generate satisfying financial returns but to align their investment strategy with sustainability criteria. In order to maintain a good reputation, asset managers avoid investing in stocks violating the widely accepted environmental, social, and governance-related (ESG) criteria or attracting negative media attention.

In this thesis, I investigate whether ESG news sentiment affects stock prices in the short run. In particular, I expect that companies attracting positive (negative) ESG-related news attention experience increasing (decreasing) share prices. To do so, I compute sentiment scores for ESG-related news stories published in *The Wallstreet Journal* between January 1, 1991, and August 31, 2019, and regress these on stock price changes during the five trading days past publishment date.

Overall, my results provide no evidence for a positive relationship between ESG news sentiment and stock price changes in the short run. To test the robustness of these results, I conduct time-, industry-, and sentiment-specific analyses. However, no matter how hard I try, I find no such relationship for the underlying data.