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Lawsuits and its effect on companies' stock prices.

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Abstract

Objective of the research: The objective of the research is the study of lawsuits, legal settlements and their effect on companies' stock prices in different industries.

Thesis or hypothesis: Lawsuits and legal settlements do not affect trustable publicly traded companies in the long run.

Methodology or approaches: The research was conducting with the help of historical data. The stock price was compared before and after public announcements regarding lawsuits. University of Central Oklahoma (UCO) library's databases were used, as well as famous TV reporters - The Wall Street Journal, Bloomberg, Yahoo Finance.

Summary of the findings: The research proves the theory that the companies' stock prices are not affected by the legal cases in the long run and they recover during the first 1 to 5 years. Some fast-growing companies are not affected by legal settlements at all, some of them recovered in less than a year as long as they have a high growth rate, popularity and developing brand name. The perception of companies plays a major role. Thus, the legal settlements of companies in finance industry affect company's stock negatively and take more time to recover. While companies that manufacture apparel are slightly affected by lawsuits and are more likely to recover the stock price within the year.