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### **THE RUMOR ON THE STOCK EXCHANGE: A STUDY ON THE STOCKS WITH THE HIGHEST FINANCIAL VOLUME**

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The objective of this research was to analyze how rumors spread among the participants in the stock market and their influence on the price fluctuations that occurred on the The Iraq Stock Exchange (ISX). For this purpose, through the bibliographic research, the identification of the stock market traders and their relationship networks was carried out. To analyze the influence of rumors on the price fluctuations of the companies' shares, a multiple case study was used as a research method, centered on the few selected companies whose shares had the highest volume of trading on the spot market between the years 2014 to 2018. The spot market is a form of negotiation in which you can buy or sell a certain number of shares at a price established during the trading session for immediate settlement, so the buyer makes the payment and the seller delivers the shares that are the object of the negotiation. We chose to work with stocks with a higher financial volume because they are more representative in the stock market, since they are highly negotiated papers among market agents, moving a lot of money on the stock exchange. The selected period corresponds to the last five years in relation to the beginning of the field research, containing a time interval that makes it possible to collect a large amount of data, taking into account the deadline for completing the research. The results are presented first

considering all the companies, contrasting the number of rumors that occurred in each one in the period from 2014 to 2018, the most recurrent issue in each company throughout the period and in each year. In addition, the proportions of oscillation above and below the 3% percentage (positive or negative) caused by rumors and their responses in the share price of companies and the subjects that most influenced price variations are presented. Then, more detailed analyses of each company are presented summarizing the results of each company and analysing each occurrence of rumors year by year together with clarifications. In this second part, the analyses of each company are arranged considering the accumulated financial volume between the periods from 2014 to 2018 in decreasing order.

### **Keyword**

Rumor. The Iraq Stock Exchange. Immaterial capital. Tacit knowledge. Informal flows. Press. Stock market. Price fluctuation.

### **1.0 introduction**

A number of researchers (Asalatha, 2019) in the economic field revealed that the stock market may be dependent on rumors, as they explained that the shares of companies may be affected if rumors are launched about them. In July 2002, the American investment bank "JP Morgan" was subjected to an investigation by a subcommittee in the Senate, including questions about the role played by the bank in helping the American energy company declared bankruptcy "Enron" in building a maze of suspicious financial transactions. Investors who saw with their own eyes what happened to the accounting services company "Arthur Anderson" due to its involvement in this scandal, some of them picked up this information, short selling the bank's shares and began to spin rumors that caused the share price to drop to record levels. The day after that session, things worsened for the bank, against the backdrop of widespread rumors, which included, for example, the US authorities' tendency to criminally prosecute the bank, impose huge fines on it, and incur huge losses in derivative contracts (Spiegel, et al., 2010). As for the most bizarre rumor, it indicated that the Federal Reserve held an emergency meeting to discuss how to address the possible repercussions of the planned measures against the bank. None of these rumors had any basis in truth, but despite that they spread like wildfire to a degree that made a large part of the dealers in the market believe that JP Morgan is facing a liquidity crisis, and that it may not have enough money to fulfil its obligations, and the price has decreased. The stock that day to its lowest level in 6 years. At the same moment, the speculators who shorted the stock covered their positions, and went on their way. In his famous book "The Psychology of the Rumor," Gordon Allport noted that rumors tend to flourish and spread when there is scarcity or glut in the news. The result is that the market's reaction to unconfirmed negative news is faster and more dramatic than its reaction to confirmed positive news. And in October 2016, a person using the pseudonym "Aurelius" published an article on the Sking Alpha website about "Bank of California" in which he claimed that the company's directors had ties to a jailed man. In a jiffy, the alleged story was reported

in the mainstream media, which lent credence to Aurelius' claims. The day after that article was published, the stock lost 29% of its value, dropping to its lowest level since 2002. In an effort to control the situation. Although the investigation concluded that there was no evidence of any wrongdoing, the bank's CEO and deputy CEO resigned from their positions, and the company announced that it was under investigation by the Securities and Exchange Commission. It later emerged that the author of the article had shorted the bank's share. For companies, there are a number of different options for responding to rumors of stock short sellers. The first option is for the company to do nothing. This strategy may be effective if the attacker lacks credibility or if the company is confident in the market's assessment of it, and that even if the market responds casually to these rumors, it will quickly correct itself and reject these allegations. Perhaps the most important advantage of this approach is that the company thus avoids drawing the market's attention to the attacker. The most important preventive step that any company may take in this regard is to develop effective means of communication with its shareholders, which would make them aware of all developments. This approach makes the shareholders more confident and supportive of the management, which prevents the stock from suffering violent shocks just because of the spread of an unfounded rumor. The company confirms that there is no material information or news affecting the increase in trading volume on its shares. This response is the usual response to stock market rumors. But suddenly the rumor turns into a fact that the company announces? As it happened with a bunch of news that spread in the market in recent weeks. Rumors of the stock market reality deals with the market, but no doubt affect the investors and owners of savings who Asttmrunha in stock, some bring huge profits. Others lose a lot of money. During the past period, rumours appeared on a number of stocks, led to higher prices are not natural, and some investors took advantage of them by playing at the pace of these rumors in order to achieve his profits, or to enter the market on a certain share he collected, and he would be the first beneficiary. The phenomenon of rumors on the stock exchange is being discussed by the "Arabs" with a number of investors and stock market experts (Faez Hasan, 2019).

Rumors exist in all world markets, including the Iraq Stock Exchange, and they are among the market factors that control it indirectly. This is confirmed by investor Hamad Samaan Al-Hajri, as rumors have become controlling many stock prices for a certain period, after which the market returns to Its natural course, and profit from profit, and loss from lost, but in the end rumors remain one of the strong factors that affect the financial market, whether positively or negatively. Hamad adds that rumors are not behind them only to achieve profits, but may be collecting shares to control the board of directors, introducing new members representing the owner of the shares, or the rumor may be behind attempts to hijack the stock, meaning buying the largest number possible and raising the price, and then offering shares during this period. To take advantage of the price difference. He explains that the demand for a certain stock and its collection from

the market delude the rest of the investors, that there are expected profits from the stock, and thus running after the stock, according to the theory of "herd behavior", a phenomenon that is strongly evident in emerging markets and regional markets, and those who are looking for quick profits enter it. About kidnapped profits. Hamad asserts that the phenomenon of rumors cannot be controlled directly, or legal measures are taken against their owners, because they are not known, and there is no law prohibiting entry to the stock exchange and buying any shares in a sample, as long as it is done through the legal procedures followed by the management of the stock exchange, and transactions cannot be stopped (Banarjee, 1992). Any stock without ensuring that there are any illegal transactions or price manipulation is subject to the law. Hamad adds that those who spread rumors are certainly the stakeholders in influencing the stock and its price, whether it goes up or down, and therefore such cases must be addressed through full compliance with the law and disclosures, so that investors do not achieve gains at the expense of others, so there must be a commitment Include all the standards and rules, and in the end the rumor will end and the market will settle, but after you have affected the investor base. The disclosures must be accurate with a tightening of the supervisory role. This is what Walid al-Faqih, a stock exchange expert and director of the Trading Department at the Investment House Company, asks for. He adds that rumors undoubtedly affect the market, as some benefit from them at the expense of the rest of the market parties, including small investors, Therefore, the investor's dealing with the rumor determines his position on it, whether dealing with it cautiously or following it. Therefore, tightening the supervisory role during the coming period is very important, with the end of the year and the adjustment of financial positions (Fama, 1998). The word Big Data is generally synonymous with exorbitant volumes of data. This idea must be put aside because Big Data is not only targeted at a massive scale, it rather includes both the quantity and range of data and the speed and efficiency of entry. The process has now been moved to contact, to get the most value from the information produced minute by minute ( luay , 2020 )

### **1.1 Rumors and information are the only problem for any stock exchange in the world.**

For his part, Dr. Muhammad Sharawi, a financial market expert, said that any stock exchange in the world has the only problem with rumors and information, and with the widespread use of social media, it has become difficult to control it. Twitter, "The case became more difficult. Dr. Muhammad Sharawi, a financial market expert, added, in exclusive statements to "The Voice of the Nation", that the fake news that is published on social media and related to the stock exchange is the one who is responsible for the descent and spread of that news, because he wants to sell his shares, and thus publishes such Those news, which affect the movement of trading and selling, and thus the share price rises, and thus the stock exchange stops the stock, until the company is asked about those shares, and the

company replies that the news is incorrect, and the stock is dealt again, and thus the share price falls, what Confuse the market (Mohd, 2018; Yasutomi, 2020).

## **2.0 Methodology**

**2.1 The Iraq Stock Exchange:** The Iraq Stock Exchange (ISX), formally the Baghdad Stock Exchange, is a stock exchange in Baghdad, Iraq. It was established by the Coalition Provisional Authority (CPA) Order No. 74 as a sui generis independent non-profit organization on April 18, 2004. The main center of the market is in Baghdad, and there is nothing to prevent the opening of branches in other Iraqi cities. The market's liability is limited to the assets owned by it and does not include assets owned by members. The market will not be responsible for any obligations arising or arising from the Baghdad Stock Exchange. The market is a corporate entity that does not aim for profit, independent, administratively and financially. It is managed by the Board of Governors and has the right to own movable and immovable funds, including real estate. He is bound by the instructions of the Securities Commission according to the temporary securities law or any other law replacing it. The right to file cases before the courts, investigative bodies or any other authority, provided that he is represented by the Chairman of the Board of Governors or by a person authorized by him (Ali, 2016; Yogo, 2021; Youssoufou, 2020).

**2.2 Data Analysis Procedures:** For the purpose of analysing the data collected, the stock quotes were extracted from the database at an interval of two business days before the rumor was released and two business days after the date of presentation of the notice to the market. These quotes were exported to the Microsoft Excel tool to create charts with the following data: the share code, the trading date, the opening price of the stock on the trading session, the maximum price reached on the trading session, the minimum price, the price of the last trade with the asset on the floor (closing price) and the financial volume traded on the day. Bar diagrams were created to analyze the dynamics of stock prices with the disclosure of the rumor and the presentation of the communiqué. Bar diagram is made up of bars that represent the opening and closing prices and the maximum and minimum prices facilitating the visualization of the high and low price trends (Albeladi, 2018). When the body is cast, the closing price is higher than the opening price, that is, the share price closed higher, and when the body is filled, the closing price is lower than the opening price, this means that the price of the stock closed down. Column charts were also created with trading volumes in Iraqi currency to compare the monetary value involved in the trading sessions. The rumors released by the press and the company announcements presented to clarify these rumors were accounted for by the date on which they occurred together with the price fluctuation that they caused. The price fluctuation was calculated considering the closing price of the trading session in relation to the closing price of the previous trading session. The announcements presented after the closing of the trading session were accounted for in the trading session of the later date. The processing

and retrieval of this information was carried out through the creation of a stored procedure (stored procedure) - sequence of SQL commands stored in the database for the resolution of a given task. All of this information served to analyze the influence of rumors on the share price, highlighting the rumors that had the greatest impact on prices and the subjects most addressed by them. In the next chapter, the analysis and presentation of the results are carried out in a synthesized way, encompassing all the companies in the sample, and then, each company is analysed separately.

**2.3 Data Collection Procedures:** The survey of rumors about the companies in the sample was carried out by searching the communications of these companies on the [www.iraq-menafn.com](http://www.iraq-menafn.com), [businessnews.com](http://businessnews.com) and <https://www.isc.gov.iq/> websites. Included in the scope of data collection were the communications presented to the market by the companies between the years 2014 to 2018 to provide clarification regarding news and unofficial information about their businesses disclosed in the press. The information about the rumors dealt with in these documents was represented through the entity-relationship diagram (Hameed, 2010). This diagram demonstrates how the information extracted from the companies' communications is related and also constitutes the structure of the tables created in a database for storing, processing and retrieving the information obtained from the communications and historical quotations.

The historical quotation data was grouped with the sum of the volume traded per asset and stored in the Action table. Each company presented several communications over the five years providing clarifications regarding the rumors, often denying information disclosed by the media about their business. But a statement belongs to just one company. Thus, the Action table has a relationship to the One-to-Many Announcement table. In addition, each press release can quote other press releases prior to it or be cited by subsequent press releases (table Previous Press Release). Because when the clarifications provided above are not sufficient to convince market agents, the company issues other communications with additional explanations. The date and time of delivery of the notice to the market, which means the moment when the company delivered the document with its clarifications about the rumors to market agents, were stored in the Notice table (Wang, 2014).

A statement may address several rumors that are circulating in the stock market about the company. Rumors, in turn, can be addressed in statements issued at different times. This happens when the company needs to provide additional clarification, as it did not respond clearly in the first time. A rumor can be disseminated by different media outlets on the same date or on different dates. The date on which the rumor was released, which is the date the news was released by the press, is usually present in the statement. When that date is not informed by the statement, it was checked on what date the news was published by searching for it on the Web through the Google search site. If the announcement was not successful, the date of creation of the communiqué was attributed to the date of disclosure of the rumor. The sources of rumors are the media, newspapers

and news sites that have published unofficial information about companies. The same rumor can become recurrent, reappearing on different dates through the same source or from different sources. Each collected rumor received a category in order to classify and group it according to the topic addressed. For example, if the rumor is about the acquisition of other companies, irregularities, payment of taxes, sale of assets, issue of shares, etc. In this way, the Category\_boato table was created and related to the Boato table (Yamamoto, 2012).

At the beginning of the research, the interview was attempted as a data collection procedure, which was soon discarded. An informal interview was conducted at a large investment bank in São Paulo and at a brokerage in Salvador, but it was noticed that the interviewees were on the defensive not wanting to talk about rumors on the stock exchange. When asked whether the bank took into account the rumors that circulated in the market when making an investment decision, the investment bank interviewee promptly stated that the bank's investment decisions were based on the fundamentals of the companies and that they did not interested and paid no attention to unofficial information or rumors that ran through the market day by day. The broker's interviewee, on the other hand, was a little nervous, showing some irritation. Thus, because it is a subject that professionals are afraid to talk about, an approach has been thought to work with the communications that are available to the public and that deal with clarifications regarding news and / or unofficial information disclosed in the press.

**2.4 Sampling:** The number of listed companies is very large, making it difficult to collect data about these companies. Thus, a reasonably representative part of this universe was investigated, encompassing the few companies listed on the stock exchange with the highest financial volume (Table 1). The selection of these few companies was carried out by adding the volume of money handled in purchase and sale negotiations for each share in the daily trading sessions of the cash market between 2014 and 2018. For this purpose, the following information was extracted: historical quotations from the quotation files made available by different companies.

Table 1: Companies selected for the current analysis\*

S.No	Company Name	ISX code	Share Volume (%)
1	United Bank for Investment	BUND	10.1
2	Al-Khatem Telecoms	TZNI	1.64
3	Al-Taif Islamic Bank	BTIB	31.94
4	Cihan Bank for Islamic and Finance	BCIH	6
5	National for Tourist Investment	HNTI	3.2
6	Al-Mousul Funfairs	SMOF	5.1
7	The Light Industries	ITLI	2.94
8	Babylon Hotel	HBAY	13.9

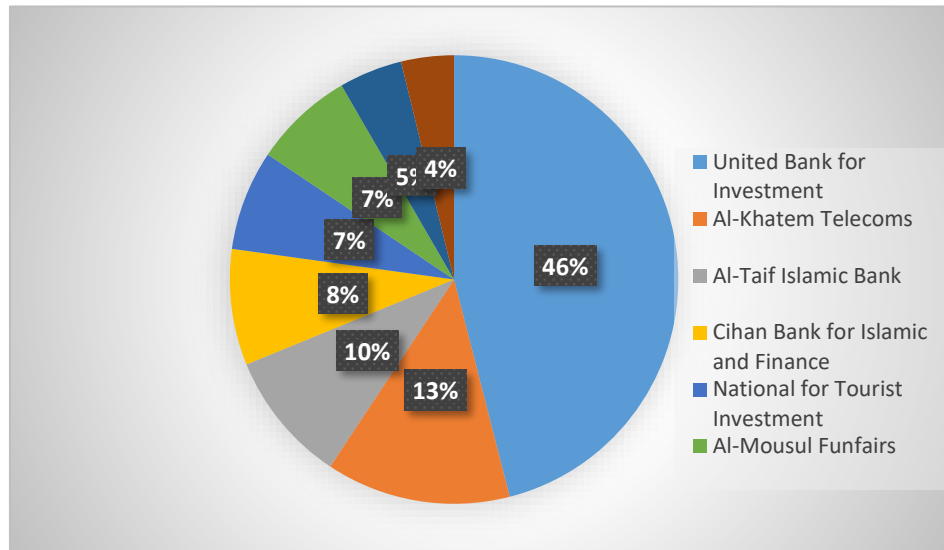
Source: [www.isc.gov.iq](http://www.isc.gov.iq)

### 3.0 RESULTS AND DISCUSSION

**3.1 General Business Analysis:** More than 200 rumors were found during

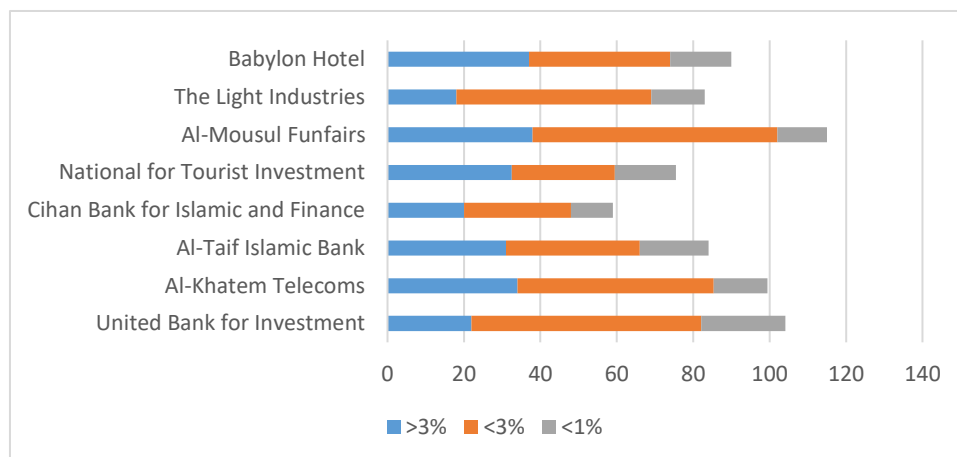


the collection of communications to the market of the major companies whose shares moved more money in the studied period. Some of these rumors reappeared on other dates and others involved more than one company in the sample, nearly 250 occurrences: 87.26% of these occurrences had the disclosure date identified, while the remainder, the reference date of the communication was considered as the disclosure date. United Bank for Investment was the company that had the most rumors in the analysed period and Cihan Bank for Islamic and Finance was the one with the least rumors (Graph 1).



Graph 1: Number of rumors of each company

ISX's stock was the one that suffered the most oscillation of more than 3% (positive or negative) due to rumors and their responses (Graph 2). The shares of all companies had at least 60% of the sessions in which rumors and communications emerged with fluctuations greater than 1% (positive or negative).



Graph 2: Fluctuations in the share prices of each company due to rumors and clarifications

In all the years, one of the main subjects of rumors about United Bank for Investment was investments. Only in 2018, oil production was not one of the



subjects that most sparked rumors because in December 2017 the commerciality of the Basra area was declared, the centre of many rumors, sometimes optimistic and other times pessimistic about the volume of its oil reserves. The topic of fundraising emerged in 2016 and 2017 due to speculation regarding the company's capitalization in 2017, when it raised US \$ 7 billion. The acquisition of other companies has also been an important issue for many years.

In the case of mining company Al-Khatem Telecoms, the acquisition of other companies was the main theme of rumors in all years. Price negotiations with customers were also a subject of rumors about the company in 2016 and 2017. In 2017, new issues emerged, such as the volume of sales to steelmakers in China and the replacement of the president of Al-Khatem Telecoms, the latter also appeared in 2018. In the last year analyzed, there were also rumors about the going public of a controlled company and investments.

Regarding Al-Taif Islamic Bank, there were no rumors in 2017. In other years, the acquisition of other financial institutions was a constant subject of rumors about the bank. In 2014, there were also rumors speculating that the bank would have exposure to the higher risk American subprime real estate market, which led large banks to bankruptcy abroad and consequently generated the international financial crisis. In 2015, there were still rumors that the bank would have foreign exchange derivative operations. At the time, the appreciation of almost 50% of the US currency in just under three months had a negative impact on the financial instruments contracted by Iraqi companies, generating great fear in the market.

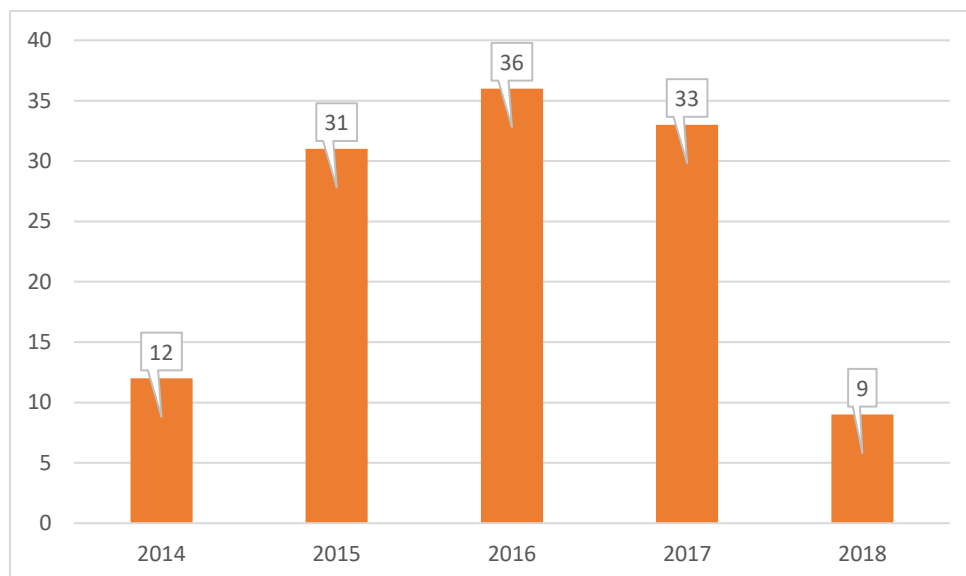
Cihan Bank for Islamic and Finance had the least amount of rumors. There were rumors about the bank only in 2015 and 2016 in which the main theme was the acquisition of other financial institutions, including one claiming that Cihan Bank for Islamic and Finance was disputing the purchase of a stake in a bank with Al-Taif Islamic Bank. In 2016 and 2017, there were rumors of the sale of the company's controlling interest and assets, speculations that were justified by the fact that Egyptian General Petroleum Corporation (EGPC) was a company that had not yet extracted oil and, therefore, had no revenue. With the declaration of commerciality in one of the exploration areas, concerns about the company's cash were mitigated, thus, rumors migrated to investments and projections of results in an attempt to anticipate information about the company's growth.

The Iraq Stock Exchange was confronted with rumors of lawsuits from former partners in 2015 and 2016. This year, there were still rumors about the company's dividend distribution policy and investments in technology. In the case of Al-Taif Islamic Bank, there were no rumors in 2014. In 2015 and 2016, rumors of negotiations and disputes for the acquisition of other banks in Iraq and abroad prevailed. Acquisition rumors also prevailed in 2017 along with fundraising rumors. This last theme was also dominant in 2018. Al-Taif Islamic Bank really acquired many banks and, with the loss of the position of largest bank after the merger between Al-Taif Islamic Bank in 2015, it was speculated that NTI wanted to recover

the lost position, for this the great volume of rumors about acquisitions. The rumor can generate great price fluctuation in the short term as it gains credibility with a large number of investors, especially those with a speculator profile who have a greater appetite for risk. Despite the fluctuations generated in the short term by rumors and announcements, the share price of companies followed an upward or downward trend in the long run as important official information about their performance and economy in the country and the world was announced. There were some expressive highs and falls a few days before the rumor was published in the newspapers. This demonstrates that, before reaching the journalists and being published, the rumor circulated among market agents through their networks of informal relations (Sevastjanov, 2009).

### 3.2 UNITED BANK FOR INVESTMENT

United Bank for Investment (BUND) issued 108 communications to the market providing clarification on 117 rumors released in the press about it. Most of the rumors about the financial business were related to: investments in refineries, port facilities, and petrochemical complex and less polluting fuels. Three of the 117 rumors released about United Bank for Investment reappeared on other dates, totalling 121 rumors. On June 19 and 20, 2015, the rumor circulated that there was a delay in the exploratory phase of two fields that led to exceeding the deadlines foreseen in the contracts. On May 10 and 11, 2016, there were hints that United Bank for Investment was carrying out accounting manoeuvres to pay less taxes. The third rumor, which had as its subject the acquisition of equity interest in the Kurdistan International Bank, first appeared on April 27, 2017 and reappeared twice in the following year. The graph 3 below shows the number of rumors about United Bank for Investment in each year studied.



Graph 3: Rumors about DQE Interntional by year

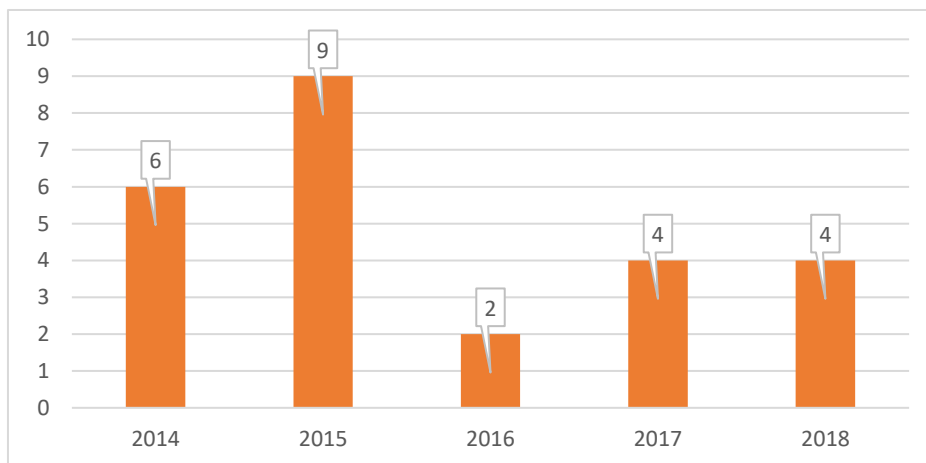
The occurrence of rumors more than doubled in 2015. This year, most rumors were about investments (35.48%) and production (29.03%). There was

speculation regarding investments in the refining and biofuels area and also many speculations about the business plan with the company's investment program for the period 2016-2018. The international financial crisis and the delay in approving the new business plan led market agents to think that investment projects would be postponed. As a result, there were also doubts about the company's financial health and an alleged difficulty for the company to raise financial resources. Also, conjectures arose that the company would increase its capital to make it possible to unify the pre-salt areas and guarantee part of the financing of investments for the exploration of these areas. Still this year, there were many assumptions about the volume of oil reserves in the pre-salt areas. Highlighted this year was United Bank for Investment denial that it would have found a large amount of oil south of the Kurdistan area causing a 12.09% drop and the denial that it would be having difficulties obtaining financing, generating an 11.29% increase in the price of oil action. The financial crisis brought more uncertainties collaborating so that this year it had more and bigger oscillations.

### 3.3 Al-Khatem Telecoms

Al-Khatem Telecoms communications were collected to respond to the 20 rumors released about its business. Most of the rumors about this company related to: acquisitions of judicial decisions against the company; the company's investments abroad, projects and investment plans; and price negotiations with your customers.

Of the 20 rumors released about the company, 3 of them were repeated on other dates totalling 25 occurrences. The rumor that the company was in negotiations to acquire the Korek Telecom appeared twice in December 2014 and reappeared in January and October 2015. Speculation regarding the replacement of the company's president arose in October 2017 and reappeared in January 2018. The rumor about the purchase of a company first appeared in July 2016 and reappeared in August 2017. The graph below shows the number of rumors about Al-Khatem Telecoms in each year studied (Graph 4).



Graph 4: Rumors about Al-Khatem Telecoms by year.

In 2014, half of the rumors were related to the acquisition of other mining companies, two were about judicial decisions against the company and one was

about Al-Khatem Telecoms investment program. The mining company's preferred share, Al-Khatem Telecoms, was influenced by rumors / clarifications in 10 trading sessions this year, and its price fluctuated above the 3% percentage (positive or negative) in half of them. The biggest highlight this year was on July 12, 2014, when Al-Khatem Telecoms share price rose 4.94% after the company denied that it was in negotiations to buy a Canadian company. 2015 was the year in which the most rumors about Al-Khatem Telecoms emerged. 44.44% of the occurrences were aimed at the acquisition of other companies. Of the 11 trading sessions that had rumors about Al-Khatem Telecoms, in 4 of them there was a fluctuation greater than 3% (positive or negative). On January 16, the share price was down 4.12% because information circulated that Al-Khatem Telecoms was fined and entered in the active debt for not complying with a court decision. The biggest drop of the entire period studied was on January 21, 2015, after the mining company denied projections of results and other speculations regarding a possible merger with the company Korek Telecom. Another significant drop occurred on July 1 due to the denial that it would buy another company. The stock also dropped sharply on September 26 after rumors that the mining company had losses due to changes in the real-dollar exchange rate.

### **3.4 Al-Taif Islamic Bank**

On June 18, information was published that there could be a sale of shareholding in Redecard that would change its control. Al-Taif Islamic Bank replied the following day that there was no deal to sell the shareholding in another company, with the exception of the global offer, and that partner company control would be preserved. On August 15, Al-Taif Islamic Bank's shares fell 4.47%, due to investors' distrust that the bank would be impacted by the crisis in the American real estate sector. The result of this doubt "[...] was understood by some analysts as a herd effect of selling bank papers around the world". The following day after the close of trading, Al-Taif Islamic Bank issued a statement informing that it had no exposure to the mortgage market classified as subprime (of higher risk) nor to securities linked to these operations, known as CDOs (Collateralized Credit Obligation) . The bank's denial had an effect on the following days trading, causing the stock price to rise 3.41%.

On 9/13, Al-Taif Islamic Bank's preferred shares rose 2.19%, driven by the rumor that the bank had proposed 2\$ billion to buy 50% of BMNS. In a statement presented after the auction, the bank denied that it was under negotiation to complete this acquisition. On 10/11, Al-Taif Islamic Bank provided clarifications in addition to the statement presented on August 16 regarding the suspected impacts of the American real estate sector on the bank's financial health. The stock closed down 3.78% on this day. On 12/26, the share price rose 2.18% due to the rumor that the bank would announce the purchase of the private banking area (aimed at high-income customers) of Iraqi Middle East Investment Bank for US \$ 1 billion. After the trading session, Al-Taif Islamic Bank sent two announcements informing

that it was analyzing the alleged acquisition and that, if completed, it would not reach US \$ 10 million. On 12/28, it was published that the bank would have been ordered to pay 1.6 billion\$. After the closing of the trading session, the company clarified that the aforementioned process was in a favorable position for the bank and that, according to its lawyers, the amount questioned would be less than \$ 1 million. The price fell on the trading session on December 28th and on the following trading day 2.67% and 4.35%, respectively. On April 14th, it was rumored that Al-Taif Islamic Bank wanted to sell its stake. The bank replied the following day that participation in this company did not represent a strategic investment and stated that it was interested in studying proposals to sell such participation, but denied that it had received any type of proposal.

### **3.5 Cihan Bank for Islamic and Finance - Rumors of the Year 2015**

On January 24, 2015, iraq-businessnews published that Cihan Bank for Islamic and Finance was in the final stage of negotiations for the acquisition of Credit Bank of Iraq, the second largest broker in the country. The share price soared 7.66% with this news. On January 28, the trading day following the announcement of the Ágora purchase, the share price rose another 1.01% after the bank admitted that it was negotiating with the broker's controllers. On 11/7/08, it was rumored that Al-Taif Islamic Bank would be negotiating to buy United Bank for Investment, but Cihan Bank for Islamic and Finance wanted to take the lead and acquire the bank. On the 10th, Cihan Bank for Islamic and Finance said it would not comment on rumors. On June 4, 2016, it was published that the acquisition of Al-Taif Islamic Bank for Islamic and Finance was to be closed. On the 9<sup>th</sup>, Cihan Bank for Islamic and Finance replied that the negotiations were concluded on the evening of the 4th and that on the morning of the following day, the transaction was disclosed through a communiqué. On 06/17/09, a protest action against Cihan Bank for Islamic and Finance in the amount of \$ 30 billion was published. The bank replied that the allegations were unfounded and the amounts were absurd.

### **3.6 National for Tourist Investment (NTI)**

On 05/12/2018, the rumor circulated that National for Tourist Investment planned to make a new capital increase through the offering of shares. National for Tourist Investment denied that there were any studies or any decision by the controlling shareholder or its management regarding this matter. On 11/09, it was reported that the Administrative Council for Economic Defence had denied National for Tourist Investment appeal, which defended exclusivity in contracting payroll loans for public servants. Payroll loans have a low default rate because they are deducted from the payroll. The next day, the bank said it would use the appropriate administrative and judicial measures to maintain its rights. The share price fell by 2.72% and 1.09% and showed considerable fluctuation in these two days.

On 12/05, comments returned that the government was preparing the capitalization of state-owned banks to help expand credit and promote economic

growth. A capital increase operation through the issuance of shares could dilute the participation of minority shareholders. The next day, National for Tourist Investment again denied that there were any studies or any decision by the controlling shareholder or his management regarding this matter. The shares fell 2.85% on the 5th and had some recovery with an increase of 0.99% on the 6<sup>th</sup>. On 12/9, the shares had a 2.2% increase after the bank denied that its subsidiary National for Tourist Investment would sell its stake in Baghdad.

### **3.7Al-Mousul Funfairs - Rumors of the Year 2018**

On March 25, 2018, it was announced that Al-Mousul Funfairs (SMOF) wanted to sell its stake in the company causing a 3.14% drop in the share price. The speculations were based on the fact that SMOF had its assets almost entirely concentrated in the company's papers, thus, it would have to sell them to pay the retirement of its shareholders. Usiminas requested clarification from SMOF, which denied being part of negotiations for the sale of shares in the steelmaker. The shares fell another 1.95% on this day because as SMOF was one of Al-Mousul Funfairs' controlling shareholders, its possible exit brought uncertainty to the stability of the control group.

On April 18, there were rumors that Babylon Hotel was negotiating the acquisition of the participation of some controlling shareholders of Al-Mousul Funfairs and that, knowing about the negotiations, ITLI started to buy Al-Mousul Funfairs shares in the market to sit on the board of directors. The shares fell 2.72% for the same reason as the previous rumor, uncertainties regarding the composition of the controlling group. After the auction, Al-Mousul Funfairs stated that it was not aware of any fact that confirmed Babylon Hotel's possible entry into its share capital and confirmed that ITLI held shares in the company that gave the right to vote at the meetings.

The rumor persisted and the shares fell 4.02% on 04/17 after Al-Mousul Funfairs informed that it requested clarification from the members of the control group and they replied that there was no negotiation in progress for the sale of shares to Babylon Hotel. The fact is that ITLI had already expressed an interest in raising its percentage of Al-Mousul Funfairs shares. As for Babylon Hotel, the rumors attributed its interest to the complementarity of the operations of its subsidiary Açominas. In addition, Babylon Hotel had raised approximately 3billion\$ with the issue of shares. On 05/04, Iraq Businessnews.com published that Govt had approved the agreement between Al-Mousul Funfairs. On 05/06, Al-Mousul Funfairs replied that Govt had approved the agreement between the two companies on the 4th, but only came to publish in the Official Gazette on the 6th. Upon learning of the confirmation of approval, investors bought more shares of Al-Mousul Funfairs causing the price to rise 1.85%.

On May 19, it was published that Al-Mousul Funfairs was aiming to be worth 5\$ billion and obtain earnings before interest, taxes, depreciation and amortization

of up to 0.8 billion in 2015. The company clarified after the trading session on 05/26 that these values did not constitute projections of the company, but only a goal that management intended to follow. At the time, Al-Mousul Funfairs had lost part of the market's credibility due to the results it had been presenting.

On 7 and 8/09, it was reported in the media that, according to sources who participated in the negotiations, ITLI had made an offer to acquire a 26% shareholding in Al-Mousul Funfairs held by two controlling shareholders. What was actually known was that ITLI had been buying Al-Mousul Funfairs shares in the stock market that were outside the control block. If this company managed to buy the participation of other controlling shareholders, it would become one of the largest shareholders in Al-Mousul Funfairs together with Nippon Steel, the largest shareholder at the time. According to the rumor, Nippon Steel, owner of 27.8% of Al-Mousul Funfairs, did not want to have ITLI as a partner because they already had disagreements when they were partners in another company, thus, Nippon had been trying to get closer to Babylon Hotel. Al-Mousul Funfairs issued two communications, one on the 9th and the other on the 16th. In the first, it denied that ITLI had made an offer to acquire the shares. In the second, the steelmaker transcribed the responses of the controlling shareholders who denied having knowledge of ITLI's proposal.

On 09/14, the rumor returned stating that, according to sources familiar with the deal, Nippon would exercise its preemptive right and buy the stake that Camargo Corrêa and the Votorantim group held in the steelmaker to thwart ITLI's offer. After the purchase, Nippon would resell to Babylon Hotel part of the share acquired from the other two controlling shareholders. With the possibility of Babylon Hotel and not ITLI becoming a partner in Al-Mousul Funfairs, the shares of this steelmaker closed up 3.5%. Al-Mousul Funfairs replied on the 16th that the information conveyed was unfounded and, on the 21st, the shareholders of the control block denied ITLI's alleged offer and the eventual negotiation with Babylon Hotel.

### **3.8 Babylon Hotel**

On 03/16, the newspaper Iraq Business news portal published that the companies Babylon Hotel and ITLI had closed an agreement for the construction of port facilities in Al-Faw Port. The stock price fell 3.21% with a lot of volatility during this day. After the following day's trading session, Babylon Hotel replied that it was still studying jointly with Babylon Hotel and DQE International the possibility of carrying out this project.

On 06/13, the rumor circulated in the media that Babylon Hotel would decide by the end of 2018 whether to open the capital of its mining operation, which had mineral resources measured at 2.9 billion tons. The company replied that the mineral resources mentioned by the press were communicated to the market through the relevant fact of March 3, 2018 and clarified that it was still studying the possible alternatives to monetize these resources. Speculation about the segregation of Babylon Hotel's mining operation was gaining credibility with the



market because the price of iron ore had skyrocketed in recent years driven by demand from China. At the same time, the steel sector was experiencing fierce competition also due to China that produced a lot of steel.

On 09/14, it was rumored that, according to sources familiar with the business, Nippon, the largest shareholder in the control group of the steelmaker Al-Mousul Funfairs, would exercise its pre-emptive right and buy the stake that Camargo Corrêa and the Votorantim group held the steel mill Al-Mousul Funfairs to resell to Babylon Hotel and thwart ITLI's offer. With the possibility of becoming a partner at Al-Mousul Funfairs, Babylon Hotel's shares closed up 3.91%. The company replied on the 16th that the information provided was unfounded. Even so, the stock price rose 2.01%.

### **3.9 The Light Industries (ITLI)**

On 03/16/2018, the newspaper Iraqi business news published that the companies DQE International, Babylon Hotel and ITLI had closed an agreement for the development of facilities in Babylon causing a 3.58% drop in the share price. In July 2016, information about the signing of the agreement between the three companies had already been circulated. During the night of 03/17/2018, ITLI stated that the studies had not yet been completed. With the answer that the project's viability was still being studied, the shares rose 1.72% on the 18th. On March 22 and 23, 2018, the rumor circulated that Ahliya for insurance had offered the shareholding of Al-Mousul Funfairs (SMOF) in the company Al-Mousul Funfairs to ITLI. During the night of the 24th, the company limited itself to saying that it was aware of the need to keep the market informed of any developments, without confirming or denying the rumor. This company had been buying common and preferred shares from the competitor and, in a relevant fact on January 27, said that it was considering acquiring more shares that could change the composition of the control or the administrative structure. Going beyond 10% of the share capital, the steelmaker could elect a director at Al-Mousul Funfairs.

There was a significant increase in the share price of ITLI and in the volume traded on 9/6, 5.98% and 198.4% respectively. On September 7 and 8, it was reported in the media that, according to sources that participated in the negotiation process, ITLI had made an offer to acquire a 26% shareholding in Al-Mousul Funfairs held by two controlling shareholders. On 9/8, the price still closed at an increase of 1.54% and the volume increased 15.24% in relation to the previous day. On the night of 08/09, ITLI denied that it had made a purchase proposal.

### **4.0 Conclusions**

In summary, it is highlighted that, as market agents are constantly trying to anticipate information that may influence the economic performance of companies and the behavior of others, competition in the stock market is about access to information that can have different contents and configurations and go

through different channels (Looney, 2003). It is noteworthy that this work does not exhaust the topic related to informal channels and the flows that circulate in the stock market. It was possible to verify that small investors are the agents most affected by the effects of unofficial information that pass through the stock market due to the difficulty they have in making use of the channels that lead to financial gain. In this sense, it is essential that there is more work, especially in the scope of Information Science, that can investigate the information flows that run through the stock market and the channels that act in this process, as well as the issue of using formal channels to manipulate the market through misinformation and counter information leading many smaller investors to financial loss.

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