

Benchmark Reconstitutions, Institutional Capital, and Equity Valuation Dynamics: Evidence
from Global Frontier Markets

Muhammad Umair^{1*}, Ling Yang

School of Management, Xi'an Jiaotong University China

Email: maslam22123@gmail.com

Ling Yang

School of Management, Xi'an Jiaotong University China

Email: kdoud527@gmail.com

*Corresponding Author: Muhammad Umair

Abstract

This research investigates immediate equity valuation responses following structural adjustments to the FTSE Frontier 50 benchmark spanning 2008 through 2025. The dataset encompasses thirty nascent economies across South America, Europe, Asia, and Africa. Because nascent financial hubs possess distinct characteristics regarding asset fluidity, participant engagement, and structural isolation relative to advanced financial ecosystems, we question whether conventional benchmark inclusion paradigms hold true within these restrictive environments. Deploying a transnational event-centric analytical model coupled with cross-sectional regressions, we assess trade volume metrics, asset fluidity indicators, and institutional holding patterns to decipher the drivers of anomalous asset pricing during benchmark reshuffling. The methodology isolates inaugural, recurring, and categorization-induced inclusions alongside removals. The empirical outcomes demonstrate that inaugural and recurring benchmark entries consistently generate enduring equity valuation surges. Corresponding removals precipitate sustained valuation decays, despite a slight attenuation following the global pandemic. Conversely, removals triggered by macroeconomic recategorization exhibit subsequent valuation corrections. Furthermore, concurrent shifts in asset fluidity fail to explain anomalous yields; however, baseline institutional holdings prior to the reshuffling strongly forecast aggregate anomalous yields. Ultimately, the evidence confirms that sustained asset price appreciations following benchmark inclusion stem directly from institutional capital appetite rather than transient transactional friction.

Keywords: Nascent economies; FTSE Frontier 50 Benchmark; Event-centric methodology; Anomalous asset yields; Transactional frequency; Corporate blockholdings; Asset fluidity.

JEL Classification: G11; G12; G14

1. Introduction

1.1. The Mechanics of the Index Effect

Financial ecosystems routinely experience substantial valuation shifts and structural realignments when benchmark providers alter their equity index constituents. Scholars broadly categorize this phenomenon as the index effect. Index reconstitutions consistently generate cascading impacts across trading volumes, systemic liquidity, and corporate ownership profiles. These shifts effectively capture the mechanical portfolio realignments executed by passive institutional investors alongside the broader frictions inherent within capital markets (Afego & Biktimirov, 2025; Biktimirov & Xu, 2019a; Chen, 2006; Chen et al., 2004). Initial academic paradigms predominantly attributed these anomalies to temporary price pressures and immediate demand shocks directly resulting from concentrated index fund trading. However, contemporary theoretical frameworks increasingly emphasize the complex roles of active liquidity provision,

rapid information diffusion, and stringent institutional trading boundaries in dictating market trajectories during these transition periods (Afego & Biktimirov, 2025; Biktimirov & Xu, 2019a; Chen, 2006; Chen et al., 2004).

1.2. Temporal Dimensions in Market Responses

Investigations into the index effect categorically separate the resulting market responses into short-term and long-term analytical horizons. Immediate or short-term effects stem fundamentally from abrupt shifts in investor trading behaviors, acute liquidity constraints, and transient supply-demand disequilibria localized around the specific dates of index revisions (Chen et al., 2004; Chu et al., 2023). Conversely, long-term evaluations, which typically span twelve months or longer, connect these market responses to permanent evolutions in underlying firm fundamentals, such as shifting profitability metrics or sustained enhancements in operational performance (Chan et al., 2013; Kot et al., 2015). Accumulating empirical observations indicate that the dominance of these underlying mechanisms relies heavily on the specific architecture and overarching maturity of the target financial market. Aligning with this theoretical bifurcation, the current investigation deliberately isolates and examines the short-term valuation responses triggered by index reconstitutions to evaluate acute market behavior.

1.3. The Geographic Literature Gap

A critical review of the existing academic corpus reveals a disproportionate concentration of empirical evidence derived almost exclusively from highly developed financial hubs. Researchers consistently base their findings on prominent developed market benchmarks, notably the S&P 500, Russell 2000, and FTSE 100 (Chakrabarti et al., 2005; Chen et al., 2006; Chen et al., 2004; Fernandes & Mergulhão, 2016). Recent expansions in the literature have gradually incorporated major emerging market indices, such as the MSCI Emerging Markets and the CSI 300 (Chen et al., 2019; Chu et al., 2023). However, global frontier markets occupy a persistent blind spot within contemporary empirical finance. This academic oversight carries significant implications. Frontier markets operate under entirely distinct structural architectures compared to both their developed and emerging counterparts. These foundational differences possess the theoretical capacity to fundamentally alter both the behavioral nature and the quantitative magnitude of short-term index effects.

1.4. The Anatomy of Nascent Economies

Financial literature typically classifies frontier markets as a specialized cohort of relatively diminutive, highly illiquid, and heavily segmented equity ecosystems. These environments suffer from restricted institutional capital participation and severely underdeveloped operational infrastructures (Ngene et al., 2018). Market participants navigating these jurisdictions routinely encounter depressed trading velocities, exorbitant transaction costs, opaque corporate disclosure standards, and highly inconsistent regulatory oversight (Economou et al., 2015; Guney et al., 2017). Furthermore, while isolated exceptions occasionally emerge, these financial centers

predominantly function within highly volatile macroeconomic and political landscapes. Such instability directly constrains their evolutionary transition into formal emerging market classifications (Mohti et al., 2019). Consequently, the core financial mechanisms responsible for generating new information and embedding it into asset prices operate at a drastically slower and significantly noisier pace than in advanced economies. This friction theoretically amplifies acute short-term price pressures and liquidity shocks surrounding benchmark alterations. Supporting this structural divergence, quantitative assessments reveal remarkably low correlations between established risk factors across developed, emerging, and frontier jurisdictions, further validating the unique economic isolation of frontier environments (Zaremba & Maydybura, 2019).

1.5. Frontier Markets as an Empirical Laboratory

The unique structural deficiencies inherent to frontier environments construct an exceptional empirical laboratory for interrogating established index effect theories. Severe liquidity constraints and exceptionally shallow capital pools hold the theoretical potential to violently intensify short-term equity pricing and trading volume responses immediately following index alterations. Simultaneously, the stark absence of dominant institutional actors and structurally depressed overall trading activities severely restrict effective arbitrage mechanisms. This friction actively impedes the natural price discovery and adjustment process. Previous comparative studies analyzing the behavioral differences between developed and emerging ecosystems confirm that index effects manifest heterogeneously across varying stages of market maturity (Afego & Biktimirov, 2025; Biktimirov & Afego, 2022b). Therefore, deploying frontier markets as a primary research setting provides an unprecedented opportunity to evaluate the external validity and true universality of index effect paradigms originally formulated within deep, liquid, and highly efficient capital hubs. Extending this analytical lens into nascent economies directly tests whether conventional explanations survive when severe market frictions and institutional limitations dictate trading realities.

1.6. The Ascendancy of Frontier Investments

Beyond purely theoretical justifications, the necessity of investigating frontier markets fundamentally stems from their rapidly expanding footprint within global portfolio allocations. Demonstrating remarkable relative resilience throughout the devastating 2008 global financial crisis, these nascent economies began capturing aggressive attention from international asset managers actively hunting for uncorrelated diversification advantages (Ngene et al., 2018). Financial metrics clearly reflect this aggressive capital pivot. Asset managers have launched at least 33 dedicated frontier market equity funds since 2008, with 11 of these highly specialized vehicles initiating operations strictly post-2014. The exponential proliferation of passive investment architectures, specifically mutual funds and exchange-traded funds (ETFs) algorithmically benchmarked against frontier market indices, has dramatically elevated the systemic relevance of these jurisdictions among institutional global investors (De Groot et al., 2012). Nevertheless, despite this massive influx of passive global capital, rigorous academic

scrutiny of frontier market dynamics remains severely constrained (Stereńczak et al., 2020). This knowledge gap is particularly alarming regarding how individual frontier equities absorb and react to structural benchmark modifications.

1.7. Research Trajectory and Benchmark Selection

Addressing these glaring deficiencies, this investigation deploys an exhaustive analytical framework to decode short-term equity market reactions surrounding index reconstitutions across global frontier environments. The study explicitly integrates a critical evaluation of country-level macroeconomic reclassification events. The empirical design systematically targets two fundamental academic inquiries. First, does a quantifiable and statistically significant short-term index effect materialize within frontier markets? Second, do equity reactions diverge significantly across distinct categories of index additions and deletions, specifically isolating movements driven by sovereign reclassifications into or out of frontier status? To execute this investigation, the research team rigorously parses shifting stock valuations, fluctuating trading volumes, overarching market capitalizations, institutional holding percentages, and asset liquidity parameters for all corporate entities added to or ejected from the FTSE Frontier 50 index across an extensive temporal window stretching from 2008 to 2025. This premier index dynamically tracks the 50 most highly capitalized and fluid equities extracted from 30 distinct frontier jurisdictions scattered across Africa, Asia, Europe, and South America.

1.8. The Strategic Utility of the FTSE Frontier 50

The selection of the FTSE Frontier 50 index as the primary analytical environment provides massive empirical advantages for two critical reasons. Initially, unlike regionally isolated benchmarks such as the S&P Africa 40 index, the FTSE Frontier 50 delivers a truly global, cross-continental representation of frontier market dynamics, preventing regional idiosyncrasies from skewing the overarching conclusions. Furthermore, benchmark administrators construct this specific index utilizing FTSE's highly rigid country classification taxonomy. This framework aggressively evaluates sovereign jurisdictions based on quantitative size metrics, overarching governance standards, and operational market infrastructure. Based on these audits, it formally categorizes nations into Developed, Advanced Emerging, Secondary Emerging, Frontier, and Unclassified tiers. This unique structural architecture empowers researchers to isolate and mathematically evaluate how sovereign country reclassification events directly dictate short-term market volatility during index changes—a critical theoretical dimension that legacy literature has almost entirely ignored.

1.9. Overarching Academic Contributions

This research decisively expands the boundaries of financial literature through three primary contributions. Initially, it supplies the first exhaustive, cross-continental empirical evidence regarding short-term index effects operating within a vast array of global frontier equity markets. This expansion successfully drags the index effect discourse far beyond its historical confinement

within developed and emerging paradigms. This effort not only deepens the pure academic comprehension of capital flows within nascent markets but also equips international asset managers and passive fund architects with highly actionable, empirically validated insights. Secondly, by strictly differentiating between inaugural, recurring, and reclassification-induced benchmark alterations, the study constructs a highly nuanced, multidimensional perspective detailing exactly how divergent index events manipulate asset pricing, liquidity provision, and ownership structures within severely illiquid environments. Ultimately, by meticulously dissecting corresponding liquidity shifts within the sampled equities, this research directly answers urgent, contemporary academic calls demanding a superior understanding of how fundamental market liquidity constraints actively govern corporate responses to benchmark reconstitutions, specifically within the world's least developed financial ecosystems (Afego & Biktimirov, 2025).

2. Comprehensive Synthesis of the Academic Corpus

2.1. Theoretical Constructs and Valuation Dynamics in Mature Financial Hubs

Extensive documentation confirms that modifying the components of premier equity benchmarks systematically disrupts asset pricing trajectories, a phenomenon traditionally labeled the index effect (Harris & Gurel, 1986; Shleifer, 1986). Historical observations consistently reveal upward valuation trajectories for integrated equities alongside corresponding depreciations for expelled assets (Harris & Gurel, 1986; Shleifer, 1986). Quantitative assessments spanning the period from 1979 to 2015 quantify these fluctuations, demonstrating anomalous gains reaching 4% for assets entering the S&P 500, counterbalanced by 5% losses for discarded equities (Patel & Welch, 2017). Parallel investigations covering the 1990 to 2015 timeframe validate this paradigm, uncovering a 3.1% cumulative anomalous appreciation for Dow Jones Industrial Average inclusions versus a 2.75% contraction for removals (Biktimirov & Xu, 2019b). Evaluations of the Russell 2000 benchmark corroborate these magnitudes, indicating 4.7% positive anomalies for additions and 4.6% negative anomalies for exclusions (Petajisto, 2011). Despite this wealth of empirical confirmation, intense academic debate persists regarding the foundational catalysts driving these valuation shifts, subsequently generating a multitude of theoretical propositions (Afego, 2017).

The transient price pressure paradigm postulates that anomalous valuation fluctuations strictly represent ephemeral responses to acute supply and demand disequilibria (Harris & Gurel, 1986). This imbalance fundamentally originates from the mechanical trading mandates imposed upon passive fund managers tracking specific indices (Harris & Gurel, 1986). Consequently, asset valuations typically experience severe reversions once the localized transactional friction dissipates (Harris & Gurel, 1986). Empirical validations strongly reinforce this transient hypothesis, highlighting definitive price corrections following S&P 500 and S&P 600 integrations (Elliott & Warr, 2003; Shankar & Miller, 2006).

Conversely, alternative theoretical frameworks champion the permanence of these valuation adjustments. The downward-sloping demand curve paradigm theorizes that benchmark-induced capital redistributions permanently recalibrate asset demand structures (Shleifer, 1986).

Investigations analyzing the FTSE 100 heavily substantiate this framework, confirming enduring valuation shifts following both integrations and expulsions (Fernandes & Mergulhão, 2016). Complementing this perspective, the asset fluidity paradigm argues that benchmark integration intrinsically upgrades an equity's market liquidity, thereby permanently elevating its valuation, while expulsion degrades fluidity and depresses pricing (Amihud & Mendelson, 1986). Research verifying fluidity enhancements during S&P 500 integrations (Becker-Blease & Paul, 2006) and demonstrating robust statistical linkages between fluidity transformations and anomalous yields surrounding Dow Jones Industrial Average revisions (Biktimirov & Xu, 2019b) further fortifies this mechanism.

The signaling hypothesis provides an informational lens, suggesting that benchmark integration telegraphs highly optimistic corporate forecasts to the broader market, precipitating permanent valuation escalations (Jain, 1987). Validation of this informational channel demonstrates that S&P 500 integrations routinely coincide with upward revisions in both analytical earnings projections and verified corporate profitability (Denis et al., 2003). Additionally, the visibility hypothesis proposes asymmetric market reactions, anticipating enduring appreciations for additions but purely transient depreciations for deletions (Chen et al., 2004). Observations covering inaugural integrations into the S&P 500 and Nasdaq 100 confirm sustained pricing escalations, whereas recurrent additions and initial removals predominantly display ephemeral valuation trajectories (Biktimirov & Xu, 2019a; Zhou, 2011).

Furthermore, structural modifications to tier-one indices systematically reshape corporate ownership demographics, precipitating massive influxes of institutional capital during integrations and corresponding capital flights during expulsions (Biktimirov et al., 2004; Chen et al., 2004). However, secondary and tertiary benchmarks yield highly inconsistent ownership transitions. Reconstitutions within the FTSE Environmental Opportunities 100 Index fail to trigger statistically valid institutional realignments (Biktimirov & Afego, 2022a). Conversely, integrations into the Dow Jones Sustainability Index North America successfully attract institutional capital, yet expulsions produce negligible demographic shifts (Kang et al., 2021). Ultimately, researchers formulated these theoretical architectures within highly liquid, exceptionally deep capital hubs featuring ubiquitous institutional engagement, raising severe doubts regarding their applicability within structurally deficient financial ecosystems (Chen et al., 2004).

2.2. Benchmark Revisions and Market Responses in Transitional Economies

Transitional capital environments systematically exhibit severely muted valuation responses during benchmark reorganizations relative to advanced economies. Early comparative assessments evaluating MSCI sovereign benchmarks between 1998 and 2001 starkly illustrate this dichotomy (Chakrabarti et al., 2005). Within developed jurisdictions, equities registered profound pricing reactions, securing 3.29% appreciations upon integration and suffering 4.51% depreciations following expulsion on the immediate post-announcement trading day (Chakrabarti et al., 2005).

224 Conversely, identical events within transitional markets generated negligible, statistically invalid
 225 fluctuations of merely 1.06% and -0.91%, respectively (Chakrabarti et al., 2005).

226 Subsequent interrogations of the MSCI Emerging Markets Index corroborate this suppressed
 227 reactivity, documenting modest 2% valuation escalations during integrations (Hacibedel & van
 228 Bommel, 2006). Extended analyses over a two-month temporal window reveal that MSCI
 229 Emerging Markets additions generate a cumulative average anomalous yield of just 1.8%, while
 230 expulsions dictate a 1.6% contraction (Hacibedel, 2014). Crucially, valuation reversals materialize
 231 exclusively following exclusions, a phenomenon theoretically tethered to severe structural
 232 segmentation and the sudden influx of market visibility accompanying benchmark integration
 233 within developing regions (Hacibedel, 2014).

234 Investigations scrutinizing the CSI 300 Index between 2005 and 2012 replicate these findings,
 235 recording significantly diminished magnitude effects across both asset pricing and transactional
 236 volumes (Wang et al., 2015). Parallel dynamics manifest within the South African financial
 237 architecture, where revisions to the FTSE/JSE Top 40 Index trigger statistically valid yet purely
 238 transient market fluctuations, completely reinforcing the consensus that transitional markets
 239 systematically suppress the index effect (Kruger & Toerien, 2013; Pholohane et al., 2020).

240 This behavioral divergence is sharply underscored by comparative evaluations of the FTSE
 241 Environmental Opportunities Index. Equities domiciled within mature jurisdictions capture
 242 massive valuation escalations during the qualification window—the exact moment index
 243 administrators release the preliminary data determining upcoming structural shifts—and
 244 simultaneously record explosive transactional volumes on the execution date (Biktimirov &
 245 Afego, 2022b). Strikingly, developing market equities fail to register any statistically significant
 246 pricing anomalies or transactional volume expansions during either operational milestone
 247 (Biktimirov & Afego, 2022b).

248 Peripheral evidence extracted from transitional hubs further emphasizes how structural isolation
 249 and internal segmentation dictate equity responses. Modifications to equity categorization tiers
 250 within Borsa Istanbul, dictated by free-float parameters and raw capitalization, provoke robust
 251 anomalous yields and aggressive trading responses (Yildiz et al., 2017). These reactions perfectly
 252 align with the downward-sloping demand and visibility paradigms, while totally rejecting
 253 hypotheses rooted in transient price pressure or fluidity enhancements (Yildiz et al., 2017).

254 Collectively, this empirical repository confirms that the intensity and durability of benchmark-
 255 induced pricing anomalies scale proportionally with overarching market maturity. Within
 256 ecosystems hampered by severe liquidity constraints and heavy structural segmentation, transient
 257 pricing pressures fail to materialize rapidly, while informational channels and visibility
 258 mechanisms execute through entirely different operational pathways (Chakrabarti et al., 2005).
 259 This undeniable heterogeneity confirms that theoretical models engineered for mature markets
 260 cannot seamlessly transpose onto underdeveloped jurisdictions, thereby amplifying the critical

necessity for targeted research focused exclusively on nascent, frontier ecosystems (Chakrabarti et al., 2005).

2.3. The Idiosyncratic Architecture of Nascent Financial Ecosystems

From a purely theoretical vantage point, nascent financial ecosystems furnish an exceptional laboratory for dissecting benchmark anomalies because their foundational microstructures and institutional demographics diverge radically from both transitional and mature markets. These peripheral hubs suffer from systemic illiquidity (Ngene et al., 2018) and combat severe structural headwinds stemming from minimal capital participation (Guney et al., 2017), pervasive informational opacity (Economou et al., 2015), and highly erratic macroeconomic and geopolitical environments (Mohti et al., 2019).

Despite possessing these highly distinct operational parameters and demonstrating near-zero correlation with global financial centers (Zaremba & Maydybura, 2019), academic literature historically bypassed nascent markets when investigating structural index revisions. Emerging scholarship evaluating the S&P Africa 40 Index initiates the closure of this academic void (Afego & Biktimirov, 2025). By benchmarking African equity reactions against non-African counterparts, researchers uncovered massive discrepancies in anomalous yields during expulsion events (Afego & Biktimirov, 2025). This stark divergence highlights the highly idiosyncratic operational realities governing African financial hubs, demanding the execution of sweeping, cross-continental investigations covering the vast geographic spread of nascent economies across Europe, Asia, and the Americas (Zaremba & Maydybura, 2019).

Furthermore, if benchmark integration genuinely accelerates asset fluidity and expands global visibility, the magnitude of these enhancements should theoretically peak within nascent markets due to their extreme baseline segmentation (Stereńczak et al., 2020). Although passive capital allocations targeting these peripheral indices remain comparatively small—theoretically limiting aggregate pricing pressure—the severe underlying liquidity vacuums possess the capacity to violently amplify transactional and valuation responses during structural reorganizations (Afego & Biktimirov, 2025).

A massive void persists regarding the operational fallout triggered by sovereign macroeconomic reclassifications. While existing literature documents equity responses to MSCI national reclassifications, it completely neglects how these sovereign upgrades or downgrades actively manipulate market behavior during standardized benchmark reconstitutions (Saidi et al., 2012). This oversight is critical. Advancing or demoting an entire jurisdiction mathematically distorts the internal weighting allocations across all remaining constituents within a regional benchmark. This mechanical distortion immediately imposes massive, unavoidable rebalancing obligations upon passive asset managers, generating severe transactional volume spikes and pricing anomalies completely divorced from individual corporate fundamentals (FTSE Russell, 2026).

Index administrators calibrate constituent weightings based strictly on float-adjusted market capitalization metrics relative to the broader benchmark universe (FTSE Russell, 2026). Consequently, extracting a promoted nation from a nascent index forcibly expands the proportional weightings of the surviving jurisdictions. Conversely, injecting a newly demoted country immediately dilutes the proportional allocations of legacy constituents (FTSE Russell, 2026). Passive institutional vehicles absolutely must execute immediate portfolio realignments following these sovereign reclassifications, regardless of underlying corporate health (Buffa & Hodor, 2023; Pavlova & Sikorskaya, 2023).

Within structurally deficient ecosystems plagued by severe frictional barriers and liquidity traps (Bekaert et al., 2007; Marshall et al., 2015), these algorithmically dictated capital shocks possess the capacity to trigger profound anomalous yields. Because benchmark providers broadcast these sovereign transitions well in advance of actual execution, predatory algorithmic traders and agile institutions routinely front-run the anticipated passive capital flows (Chen et al., 2006; Lou, 2012).

This algorithmic capital transmission channel operates entirely independently from standard informational and fluidity mechanisms, where national reclassification intrinsically reshapes global perceptions of the asset class or physically alters the trading fluidity of surviving equities (Barberis et al., 2005; Chordia et al., 2000). Systematically isolating standard corporate revisions from macroeconomic, reclassification-driven anomalies empowers researchers to accurately determine whether transient pressure, permanent fluidity enhancements, or raw visibility dictates pricing realities within peripheral markets. Mastering this specific mechanical dynamic is absolutely imperative for cross-border asset managers attempting to quantify execution risks and exploit pricing inefficiencies within underdeveloped jurisdictions.

2.4. Formulation of the Empirical Postulates

Existing financial literature provides multiple theoretical transmission mechanisms outlining exactly how structural benchmark modifications manipulate equity pricing, transactional velocity, and institutional demographic profiles. These competing frameworks produce highly distinct, mathematically testable predictions concerning the severity, temporal duration, and fundamental cross-sectional drivers controlling anomalous yields. We systematically translate these overarching theoretical paradigms into highly specific, operationalized hypotheses.

2.4.1. Transient Contrasted with Enduring Valuation Trajectories

The transient price pressure paradigm unequivocally predicts that structural index reorganizations strictly generate ephemeral anomalous yields strictly driven by acute, short-term supply and demand shocks orchestrated by passive rebalancing algorithms (Harris & Gurel, 1986). This framework mandates that equity valuations must rapidly and completely revert to their baseline pre-announcement trajectories once the localized institutional trading volume dissipates. Conversely, multiple opposing architectures, specifically the downward-sloping demand curve paradigm (Shleifer, 1986), the enhanced fluidity proposition (Amihud & Mendelson, 1986), and

the informational signaling architecture (Jain, 1987), unanimously dictate that these valuation realignments are permanent.

To surgically isolate transient anomalies from enduring structural shifts, we construct the following opposing empirical postulates:

Hypothesis 1a (H1a): Anomalous yields generated by integration into or expulsion from the FTSE Frontier 50 benchmark are strictly ephemeral, culminating in total valuation reversals following the operational execution date.

Hypothesis 1b (H1b): Anomalous yields generated by integration into or expulsion from the FTSE Frontier 50 benchmark demonstrate extreme temporal persistence, actively defying complete valuation reversals long after the operational execution date.

These foundational hypotheses rely entirely on the precise calculation of cumulative anomalous yields encompassing the qualification window, the formal broadcast date, and the ultimate operational execution date, focusing intensely on post-event pricing durability. Because permanent valuation shifts align with multiple competing theories—including enhanced fluidity, informational signaling, and structural demand recalibration—subsequent hypotheses must meticulously isolate the exact causal mechanism.

2.4.2. The Asset Fluidity Mechanism

The fluidity paradigm dictates that benchmark integration systematically upgrades a corporation's transactional liquidity by physically expanding trading volumes, compressing bid-ask spreads, and neutralizing price impact metrics, which collectively generate higher equity valuations (Amihud & Mendelson, 1986). Expulsions logically inflict the exact opposite operational damage. If enhanced transactional fluidity operates as the primary catalyst driving anomalous yields within structurally deficient ecosystems, measurable liquidity transformations must synchronize perfectly with structural benchmark revisions.

Hypothesis 2 (H2): Integrations into and expulsions from the FTSE Frontier 50 benchmark simultaneously generate corresponding improvements and deteriorations in transactional volume and asset fluidity, and the absolute magnitude of these fluidity transformations correlates positively and significantly with aggregate cumulative anomalous yields.

This specific postulate targets both the systemic macro-level evolution of trading behavior and the direct statistical correlation connecting fluidity shifts with pricing anomalies.

2.4.3. Corporate Blockholdings and Institutional Capital Appetite

The downward-sloping demand curve paradigm argues that individual equities function as highly imperfect substitutes, dictating that structural benchmark reorganizations inflict permanent valuation shifts through massive demand recalibrations initiated by rigidly constrained passive asset managers (Shleifer, 1986). Within this theoretical architecture, the sheer intensity of the

pricing reaction relies heavily on the preexisting institutional demographic footprint. Corporations boasting massive pre-existing institutional blockholdings inherently suffer vastly superior demand shocks when structural composition algorithms shift.

This operational reality is exceptionally critical within nascent financial ecosystems, where baseline institutional capital participation is severely depressed (Economou et al., 2015). Consequently, benchmark revisions within these peripheral hubs rarely trigger immediate, sweeping transformations in aggregate institutional ownership percentages. Instead, legacy institutional ownership operates as a highly potent moderating variable, actively dictating the sheer violence of the demand-driven pricing response, even when post-event institutional demographics remain entirely stagnant.

Hypothesis 3 (H3): Baseline institutional ownership levels logged prior to the event strictly dictate the overarching magnitude of cumulative anomalous yields surrounding FTSE Frontier 50 reconstitutions, operating independently of whether aggregate institutional ownership percentages physically transition post-execution.

2.4.4. Event Typology and Structural Divergence

Structural benchmark reorganizations are fundamentally heterogeneous operational events. Within underdeveloped ecosystems, securing benchmark membership relies heavily on highly specific corporate fundamentals, vast discrepancies in global capital accessibility, raw visibility metrics, and algorithmic eligibility shifts dictated entirely by sovereign macroeconomic reclassifications. Historical data confirms that inaugural integrations generate vastly superior visibility shocks compared to recurrent additions or standard expulsions, which trigger notably weaker and highly transient pricing actions (Biktimirov & Xu, 2019a; Zhou, 2011).

Furthermore, benchmark revisions triggered strictly by sovereign macroeconomic reclassifications deviate from standard corporate revisions in two highly distinct manners. Initially, algorithmic selection relies entirely on sovereign-level tiering rather than corporate-level operational superiority, actively distorting the benchmark by systematically prioritizing massive, hyper-liquid entities (FTSE Russell, 2026). Secondly, sovereign reclassifications execute mechanical, cross-border capital redistributions, forcing passive entities to immediately execute massive portfolio realignments entirely divorced from standard corporate data releases (Buffa & Hodor, 2023; Pavlova & Sikorskaya, 2023). Within peripheral hubs suffocating under severe liquidity traps, these algorithmic capital surges theoretically provoke extreme anomalous yields and transactional volume explosions (Amihud, 2002; Kyle, 1985). Consequently, the pricing and fluidity trajectories tied to macroeconomic reclassifications should violently deviate from the reactions generated by standard corporate benchmark revisions.

Hypothesis 4 (H4): Equity market reactions triggered by FTSE Frontier 50 benchmark reconstitutions diverge violently depending entirely upon whether the integration or expulsion is inaugural, recurrent, or strictly driven by sovereign macroeconomic reclassification parameters.

3. Methodological Architecture and Empirical Data Curation

3.1. Benchmark Operational Mechanics and Constituent Selection

Initiated during the global financial recalibration of July 2008, the FTSE Frontier 50 benchmark serves as a primary barometer for nascent economic ecosystems. This index systematically tracks the performance trajectories of the fifty most heavily capitalized and transactionally fluid equities extracted from a rigorously defined global frontier universe. To ensure institutional investment viability and accurate representation, the benchmark administrators aggressively adjust corporate weightings to reflect true free-float availability. They also strictly enforce foreign ownership limitations, thereby preventing artificial liquidity traps that often plague underdeveloped exchanges. Maintaining overarching index stability remains a paramount objective for the administrators; therefore, they deploy a strict buffering mechanism to minimize unnecessary portfolio turnover. Specifically, an equity only secures integration when its unadjusted market capitalization ranking surges to the 40th percentile or higher within the eligible pool. Conversely, expulsion occurs exclusively when a constituent's ranking deteriorates to the 61st position or below. Furthermore, to completely neutralize the systemic risk of a single sovereign entity dominating the entire benchmark architecture, the methodology rigidly enforces a 20% maximum capitalization ceiling for any individual nation.

3.2. Temporal Evolution of Structural Reconstitutions

The temporal rhythm governing these structural reconstitutions underwent a significant evolutionary shift during the investigated sample period. Initially, spanning from December 2008 through the end of the third quarter in 2019, the index administrators mandated quarterly structural audits. They executed these exhaustive reviews in March, June, September, and December, universally utilizing closing market data captured precisely on the third Friday of the preceding month. However, commencing in March 2020, the overarching operational framework transitioned to a semiannual review cycle, permanently altering the frequency of institutional portfolio rebalancing.

3.3. Isolation of Critical Operational Milestones

To accurately capture the nuanced market reactions surrounding these periodic reconstitutions, this empirical investigation mathematically isolates three highly critical operational milestones. The Qualification Day (QD) represents the precise temporal boundary where preliminary market data dictating imminent structural changes crystallizes and becomes publicly accessible to predictive algorithmic trading networks. The Announcement Day (AD) marks the formal, public broadcast of the finalized constituent modifications by the index providers, eliminating all speculative ambiguity. Finally, the Effective Day (ED) designates the absolute first trading session where passive institutional capital must physically align with the newly mandated benchmark structure. Historically, the temporal baseline separating the Qualification Day and the Effective Day maintains a rigid, highly predictable span of exactly twenty active trading sessions. In stark

contrast, the interval bridging the Announcement Day and the Effective Day exhibits significant operational elasticity, oscillating anywhere between three and twelve active trading sessions strictly depending on macroeconomic scheduling constraints and holiday calendars.

3.4. Sample Amassment and Microstructural Cleansing

The comprehensive temporal horizon evaluated within this manuscript commences with the inaugural quarterly reconstitution executed in December 2008 and concludes with the September 2025 review cycle. The raw, unfiltered data extraction yielded an initial cohort comprising 311 corporate integrations alongside 303 corresponding expulsions. However, nascent financial ecosystems frequently suffer from severe microstructural frictions and extended trading halts, necessitating aggressive data filtration to maintain absolute statistical integrity. Consequently, any corporate entity exhibiting extreme transactional stagnation—defined mathematically as recording more than twenty-five distinct non-trading sessions within the sixty-day event window stretching from thirty days prior to Qualification (QD-30) to thirty days post-Effective date (ED+30)—was systematically excised from the dataset. This rigorous microstructural cleansing eliminated 35 anomalous integrations and 33 paralyzed expulsions, ultimately refining the pristine, executable sample to exactly 276 additions and 270 deletions.

3.5. Typological Disaggregation of Benchmark Events

To execute a truly granular, high-fidelity structural analysis, the overarching sample is meticulously disaggregated into distinct operational typologies. Foundational academic literature strongly dictates that inaugural and recurrent benchmark transitions frequently trigger wildly divergent equity pricing and volume trajectories. This divergence is fundamentally rooted in varying degrees of preexisting investor recognition and baseline corporate familiarity among international asset managers (Biktimirov & Xu, 2019a; Zhou, 2011). Consequently, the integration cohort is strictly bifurcated into 153 inaugural additions—representing corporations securing elite benchmark membership for the absolute first time—and 95 recurrent additions, representing resilient entities that have previously navigated the index ecosystem. Concurrently, the expulsion cohort is separated into 149 inaugural deletions and 90 recurrent deletions, allowing for precise comparative testing across event types.

3.6. Sovereign Macroeconomic Reclassifications

Beyond standard corporate mobility driven by shifting market capitalization, this investigation pioneers the isolation of index reconstitutions driven entirely by sovereign macroeconomic recategorization. Over the designated timeline, overarching country-level reclassifications artificially dictated 28 structural integrations and 31 forced expulsions. As comprehensively documented and systematically ordered in descending alphabetical format within **Table 1**, the dataset spans thirty distinct sovereign jurisdictions spread aggressively across the Americas, Europe, Asia, and Africa. A detailed cross-examination of Table 1 immediately reveals the overwhelming dominance of the Vietnamese market within the benchmark architecture, closely

trailed by strong representations from the Bangladeshi and Argentine financial sectors. Notably, the empirical data embedded within Table 1 confirms that Argentine volatility is profoundly driven by macroeconomic tiering shifts, with an overwhelming twelve integrations and fifteen expulsions directly attributable to sovereign country reclassification protocols rather than organic, firm-level corporate growth.

3.7. Macroeconomic Contextualization and Liquidity Profiling

To appropriately contextualize this highly curated dataset against the broader macroeconomic environment, **Table 2** mathematically delineates the overarching market capitalization metrics, aggregate transactional liquidity profiles, and underlying sovereign financial architectures of the constituent frontier nations. By explicitly comparing these localized metrics against Brazil—serving as a globally recognized proxy for highly mature emerging markets—Table 2 perfectly quantifies the sheer depth of the structural constraints plaguing nascent economies. As explicitly presented in the data, the aggregated frontier jurisdictions command an average market capitalization hovering near 29.5 billion USD, representing roughly 30.1% of their respective sovereign GDPs, while simultaneously struggling with deeply suppressed asset turnover ratios averaging a mere 11.7%. When juxtaposed directly against the Brazilian ecosystem, which boasts a towering market capitalization approaching 981 billion USD—capturing nearly 49% of domestic GDP alongside an explosive turnover ratio exceeding 97%—the statistical evidence incontrovertibly validates the fundamental premise. Frontier capital markets operate within vastly superior constraints, battling extreme illiquidity and severe structural isolation that inherently magnify institutional capital shocks during standard structural benchmark reorganizations.

Table 1: Comprehensive Sovereign Distribution of Corporate Integrations and Expulsions within the FTSE Frontier 50 Architecture (2008–2025)

Sovereign Jurisdiction	Inaugural Integrations (N)	Inaugural Integrations (%)	Recurrent Integrations (N)	Recurrent Integrations (%)	Reclassification Integrations (N)	Reclassification Integrations (%)	Inaugural Expulsions (N)	Inaugural Expulsions (%)	Recurrent Expulsions (N)	Recurrent Expulsions (%)	Reclassification Expulsions (N)	Reclassification Expulsions (%)
Vietnam	26	16.1	18	18.2	0	0.0	20	12.7	18	19.1	0	0.0
Tunisia	6	3.7	5	5.1	0	0.0	6	3.8	4	4.3	0	0.0

Sovereign Jurisdiction	Inaugural Integrations (N)	Inaugural Integrations (%)	Recurrent Integrations (N)	Recurrent Integrations (%)	Recategorization Integrations (N)	Recategorization Integrations (%)	Inaugural Expulsions (N)	Inaugural Expulsions (%)	Recurrent Expulsions (N)	Recurrent Expulsions (%)	Recategorization Expulsions (N)	Recategorization Expulsions (%)
Tanzania	2	1.2	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Sri Lanka	3	1.9	5	5.1	0	0.0	4	2.5	4	4.3	0	0.0
Slovenia	5	3.1	7	7.1	0	0.0	9	5.7	6	6.4	0	0.0
Slovakia	2	1.2	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Serbia	2	1.2	2	2.0	0	0.0	2	1.3	2	2.1	0	0.0
Romania	5	3.1	7	7.1	0	0.0	4	2.5	6	6.4	6	18.8
Qatar	7	4.3	3	3.0	0	0.0	9	5.7	5	5.3	4	12.5
Peru	4	2.5	6	6.1	7	25.0	6	3.8	4	4.3	0	0.0
Pakistan	6	3.7	0	0.0	5	17.9	2	1.3	0	0.0	0	0.0
Oman	13	8.1	8	8.1	0	0.0	16	10.2	8	8.5	0	0.0

Sov erei gn Juri sdic tion	Ina ugu ral Inte grat ion s (N)	Ina ugu ral Inte grat ion s (%)	Rec urre nt Inte grat ion s (N)	Rec urre nt Inte grat ion s (%)	Reca tegor izatio n Integ ratio ns (N)	Reca tegor izatio n Integ ratio ns (%)	Ina ugu ral Ex pul sion s (N)	Ina ugu ral Ex pul sion s (%)	Re cur ren t Ex pul sion s (N)	Re cur ren t Ex pul sion s (%)	Reca tegor izatio n Expu lsion s (N)	Recat egori zatio n Expu lsion s (%)
Nig eria	9	5.6	9	9.1	0	0.0	13	8.3	9	9.6	7	21.9
Mo roc co	9	5.6	5	5.1	5	17.9	9	5.7	4	4.3	0	0.0
Ma uriti us	2	1.2	0	0.0	0	0.0	3	1.9	0	0.0	0	0.0
Ma ced oni a	2	1.2	0	0.0	0	0.0	2	1.3	0	0.0	0	0.0
Lith uan ia	3	1.9	3	3.0	0	0.0	2	1.3	3	3.2	0	0.0
Ken ya	10	6.2	7	7.1	0	0.0	10	6.4	9	9.6	0	0.0
Kaz akh stan	6	3.7	2	2.0	3	10.7	4	2.5	2	2.1	0	0.0
Jor dan	9	5.6	3	3.0	0	0.0	9	5.7	4	4.3	0	0.0
Ivor y Coa st	3	1.9	0	0.0	0	0.0	2	1.3	0	0.0	0	0.0
Icel and	3	1.9	0	0.0	2	7.1	0	0.0	0	0.0	4	12.5

Sovereign Jurisdiction	Inaugural Integrations (N)	Inaugural Integrations (%)	Recurrent Integrations (N)	Recurrent Integrations (%)	Recategorization Integrations (N)	Recategorization Integrations (%)	Inaugural Expulsions (N)	Inaugural Expulsions (%)	Recurrent Expulsions (N)	Recurrent Expulsions (%)	Recategorization Expulsions (N)	Recategorization Expulsions (%)
Ghana	2	1.2	2	2.0	0	0.0	2	1.3	0	0.0	0	0.0
Estonia	4	2.5	2	2.0	0	0.0	3	1.9	2	2.1	0	0.0
Cyprus	3	1.9	0	0.0	0	0.0	3	1.9	2	2.1	0	0.0
Croatia	4	2.5	0	0.0	0	0.0	5	3.2	0	0.0	0	0.0
Botswana	2	1.2	0	0.0	0	0.0	2	1.3	0	0.0	0	0.0
Bangladesh	18	11.2	13	13.1	0	0.0	16	10.2	11	11.7	0	0.0
Bahrain	6	3.7	0	0.0	0	0.0	4	2.5	2	2.1	0	0.0
Argentina	8	5.0	7	7.1	12	42.9	9	5.7	4	4.3	15	46.9
Aggregate Totals	161	100.0	99	100.0	29	100.0	157	100.0	94	100.0	32	100.0

Table 2: Aggregated Structural Demographics, Capital Liquidity Profiles, and Macroeconomic Volatility of Global Frontier Exchanges (2008–2025)

<u>Sovereign Entity</u>	<u>Capitalization (M USD)</u>	<u>Capitalization / GDP (%)</u>	<u>Transactional Volume (M USD)</u>	<u>Asset Turnover Velocity (%)</u>	<u>Active Corporate Listings</u>	<u>Foreign Capital Injections (M USD)</u>	<u>Domestic Credit / GDP (%)</u>	<u>Macroeconomic Volatility (%)</u>
Vietnam	108,592	35.3	64,223	58.1	1410	2751	99.3	1.6
Tunisia	8,840	19.3	817	8.9	73	-97	10.0	3.3
Tanzania	6,303	8.8	35	0.5	23	14	3.4	1.4
Sri Lanka	17,319	22.3	2,195	12.8	286	-84	37.0	4.7
Slovenia	8,554	16.0	488	5.7	46	79	57.4	3.8
Slovakia	5,313	5.5	160	3.3	10	158	55.8	3.1
Serbia	9,649	19.4	573	7.5	-	-115	40.3	3.0
Romania	25,033	10.3	2,192	10.1	81	-87	30.5	4.1
Qatar	145,341	82.4	27,889	32.9	44	298	78.6	6.6
Peru	83,400	42.7	3,118	3.9	205	-74	40.9	5.1
Pakistan	40,642	14.3	4,303	53.9	579	-32	16.1	2.2
Oman	26,002	32.5	3,354	14.0	116	305	53.4	3.6
Nigeria	50,075	11.2	4,106	8.8	188	152	12.5	3.8
Morocco	62,373	50.9	7,034	6.5	77	406	85.2	3.3

<u>Sovereign Entity</u>	<u>Capitalization (M USD)</u>	<u>Capitalization / GDP (%)</u>	<u>Transactional Volume (M USD)</u>	<u>Asset Turnover Velocity (%)</u>	<u>Active Corporate Listings</u>	<u>Foreign Capital Injections (M USD)</u>	<u>Domestic Credit / GDP (%)</u>	<u>Macroeconomic Volatility (%)</u>
Mauritius	8,160	65.5	364	4.8	79	197	87.4	4.8
Macedonia	-	-	-	-	-	-12	52.6	2.4
Lithuania	-	-	-	-	21	42	42.4	4.9
Kenya	15,928	21.7	717	3.9	61	28	30.7	2.1
Kazakhstan	38,591	20.6	2,135	4.1	86	-84	28.6	2.6
Jordan	26,167	74.6	1,003	17.5	219	201	76.8	1.7
Ivory Coast	9,471	20.7	271	3.5	42	12	17.5	3.7
Iceland	-	-	-	-	-	48	112.4	4.5
Ghana	6,249	10.6	99	2.8	31	73	15.4	3.4
Estonia	-	-	-	-	-	-78	71.0	5.5
Cyprus	5,393	19.4	48	6.2	98	638	176.8	4.9
Croatia	23,180	36.5	748	3.2	174	-13	58.4	5.0
Botswana	8,274	43.4	148	4.1	24	-27	33.1	7.1
Bangladesh	71,351	27.6	3,073	18.1	522	-5	40.5	1.1

Sovereign Entity	Capitalization (M USD)	Capitalization / GDP (%)	Transactional Volume (M USD)	Asset Turnover Velocity (%)	Active Corporate Listings	Foreign Capital Injections (M USD)	Domestic Credit / GDP (%)	Macroeconomic Volatility (%)
Bahrain	22,344	63.3	136	3.1	99	271	67.9	2.8
Argentina	53,135	10.6	3,107	6.8	108	15	14.5	5.5
Aggregated Average	29,523	30.1	5,155	11.7	157	276	53.5	3.7
Brazil (Mature Proxy)	981,136	49.0	890,528	97.4	360	7288	63.8	3.2

4. Empirical Evaluations and Structural Diagnostics

4.1. Anomalous Yield Trajectories

4.1.1. Comprehensive Horizon Diagnostics

We rigorously evaluate and contrast the anomalous yield trajectories generated by corporate entities integrating into or departing from the FTSE Frontier 50 benchmark architecture. Executing transnational event-driven methodologies inherently provokes severe microstructural complications, specifically regarding the selection of appropriate baseline pricing models and the navigation of highly fragmented jurisdictional regulations (Park, 2004). We systematically neutralize these infrastructural hazards through a multi-tiered analytical strategy. Initially, we completely discard traditional pre-event estimation windows to prevent severe statistical contamination, as corporations navigating benchmark transitions frequently exhibit highly erratic baseline momentum. Instead, we strictly compute anomalous yields utilizing market-calibrated return differentials (Becker-Blease & Paul, 2010; Cai, 2007; Chen, 2006; Chen et al., 2004). Secondly, to flawlessly capture localized pricing frictions, we deploy sovereign value-weighted total return indices, strictly denominated in localized fiat currencies, serving as our primary market proxies (Campbell et al., 2010). Thirdly, to ruthlessly filter out the extreme illiquidity inherently paralyzing nascent ecosystems, we entirely exclude any corporate entity logging exceeding 25 stagnant non-trading sessions across the defined evaluation horizon (spanning from 30 days pre-qualification to 30 days post-execution). Finally, we actively counteract non-normal distributions

and cross-sectional dependencies by deploying a robust matrix of parametric and non-parametric diagnostic engines. Specifically, we fortify the standard parametric framework utilizing the cross-correlation adjusted metric to suppress baseline noise (Kolari & Pynnönen, 2010). We concurrently deploy the nonparametric rank algorithm and the generalized sign diagnostic to completely bypass restrictive normality assumptions (Corrado, 1989; Corrado & Zivney, 1992; Cowan, 1992). To actively prevent statistical degradation caused by delayed informational absorption, we rigidly confine our observation window strictly between QD−30 and QD+50.

A thorough examination of **Table 3** (Panels A and B) explicitly details these anomalous pricing behaviors. Analyzing Panel, A reveals that recurrent integrations trigger the most aggressive upward valuation trajectories. Specifically, these recurrent entrants capture a formidable 3.61% aggregated anomalous yield strictly within the preceding 30-day window (QD−30 to QD−1). Demonstrating extreme predictive anticipation by algorithmic actors, these recurrent entities secure a 0.29% escalation precisely one session prior to formal qualification (QD−1). Crucially, these integrations successfully defend these acquired valuations without suffering any post-event reversals, locking in a permanent 3.72% gain across the maximum observation window (QD−30 to QD+50). However, the nonparametric diagnostics occasionally fail to mirror this parametric significance, mathematically confirming that extreme outliers predominantly drive this upward momentum rather than uniform, sample-wide appreciations—a phenomenon highly characteristic of volatile, fragmented frontier exchanges. Conversely, examining Panel B demonstrates that inaugural, recurrent, and recategorization expulsions suffer severe, permanent capital flights. Recategorization expulsions, however, uniquely manifest violent post-event pricing reversals, initially suffering a massive 1.18% crash on qualification day before wildly rebounding by 1.14% and 1.22% across subsequent sessions.

4.1.2. Pandemic Bifurcation Diagnostics

We systematically fracture our primary dataset into strict pre-pandemic and post-pandemic temporal cohorts to quantify how global macroeconomic shocks distorted benchmark reactivity (documented extensively within our supplementary appendices). This targeted sub-segmentation explicitly reveals a massive attenuation of standard index effects following the viral outbreak. The historically aggressive upward trajectories commanded by inaugural and recurrent integrations practically evaporate post-crisis. For instance, inaugural integrations watch their maximum window yields violently compress from a robust +3.88% down to a stagnant −0.41%. Similarly, inaugural expulsions see their catastrophic losses shrink from −4.62% to a highly muted −0.81%. In stark contrast, benchmark transitions strictly dictated by sovereign macroeconomic recategorizations completely ignore this pandemic dampening effect, continuing to project extreme, unmitigated volatility across the effective day thresholds. This severe divergence unequivocally confirms that algorithmically forced, cross-border sovereign reclassifications actively provoke substantially more violent capital shocks than isolated, firm-level corporate revisions.

4.2. Transactional Velocity Dynamics

We rigorously interrogate the underlying transactional velocity metrics surrounding benchmark transitions, as synthesizing pricing anomalies with raw volume analytics massively amplifies statistical detection capabilities (Cready & Hurtt, 2002). We mathematically operationalize asset turnover by dividing raw share transactional volume by the total outstanding corporate float. To forcefully normalize extreme asymmetrical distributions and seamlessly integrate absolute zero-volume sessions, we subject the raw data to a stringent logarithmic transformation (Ajinkya & Jain, 1989; Chae, 2005). We strictly benchmark this anomalous velocity against a massive 180-day baseline estimation window (AD-210 through AD-31).

As meticulously quantified within **Table 4**, transactional momentum utterly collapses for practically all corporate cohorts precisely around the qualification nexus (QD-2 to QD+1). However, a dramatic microstructural inversion occurs immediately preceding the effective execution threshold (ED-1). Recategorization integrations detonate with a massive 4.88% volumetric surge, successfully clearing all three diagnostic significance thresholds. This exact aggressive clustering pattern perfectly replicates across the expulsion cohorts (Panel B), where recurrent and recategorization deletions experience explosive ED-1 volume spike of 1.74% and 4.79%, respectively. This intense, hyper-localized trading concentration perfectly illustrates passive institutional algorithms aggressively executing mandatory portfolio realignments at the absolute final permissible moment.

4.3. Corporate Capitalization Profiles

Existing literature persistently documents severe asymmetrical pricing reactions heavily dependent upon foundational corporate mass, distinguishing between temporary shocks in micro-cap indices versus permanent valuation shifts in mega-cap benchmarks (Becker-Blease & Paul, 2006; Biktimirov et al., 2004; Chen et al., 2004; Hanaeda & Sarita, 2003; Liu, 2006; Shankar & Miller, 2006). Because benchmark administrators actively filter candidates using rigid size thresholds, we deliberately investigate structural mass disparities across our specific sub-cohorts. To prevent dimensional bias, we evaluate three distinct mass proxies: total localized assets, gross corporate revenues, and overarching market capitalization (Dang et al., 2018).

Table 5 comprehensively outlines these dimensional diagnostics. The empirical outputs irrefutably confirm that entities navigating the benchmark via sovereign recategorization absolutely dwarf standard corporate entrants across all three-dimensional metrics. This exact structural disparity perfectly mirrors the expulsion data in Panel B. This dimensional dominance inherently materializes because sovereign reclassifications forcefully drag massive, globally dominant conglomerates into the benchmark, entirely bypassing the organic growth trajectory required for standard integrations.

4.4. Institutional Blockholding Demographics

While historical analyses evaluating apex indices routinely report massive, permanent institutional capital injections following benchmark inclusion, empirical data extracted from secondary and tertiary benchmarks paints a highly conflicting narrative (Biktimirov & Afego, 2022a, 2022b; Biktimirov & Li, 2014; Biktimirov & Xu, 2019a; Chen et al., 2004; Kang et al., 2021). We meticulously dissect shifting ownership architecture by isolating dedicated investment bank capital from overarching total strategic blockholdings. We rigorously test these proportional shifts utilizing standard parametric evaluations alongside Wilcoxon and generalized sign rank algorithms.

The empirical outputs meticulously arranged within **Table 6** conclusively dismantle the institutional migration hypothesis. Absolutely zero transitional cohorts—neither integrations nor expulsions—register any statistically valid permutation in their foundational institutional demographics following benchmark reconstitution. Inaugural and recurrent entrants maintain entirely stagnant total strategic ownership percentages hovering precisely around the 60.1% and 59.2% thresholds, respectively. Consequently, we mathematically reject the theoretical premise that benchmark revisions within nascent ecosystems successfully attract or repel permanent institutional capital.

4.5. Asset Fluidity Assessments

Given that theoretical paradigms frequently attribute permanent valuation escalations strictly to enhanced transactional liquidity (Becker-Blease & Paul, 2006; Biktimirov & Xu, 2019a; Hegde & McDermott, 2003), we comprehensively interrogate asset fluidity. We deploy a massive seven-factor liquidity matrix spanning volumetric proxies (dollar turnover, raw velocity), frictional metrics (zero-return frequency, terminal bid-ask spreads), and aggressive price-impact ratios (Amihud, Amivest, Florackis) (Amihud, 2002; Chung & Zhang, 2014; Florackis et al., 2011; Lesmond et al., 1999). We painstakingly compute localized averages across symmetrical 40-day horizons anchoring the effective execution date.

The empirical diagnostics documented in **Table 7** completely shatter the liquidity enhancement hypothesis. Rather than improving, inaugural integrations actually suffer severe, statistically valid liquidity degradation, visually manifesting through crashing dollar volumes and aggressively spiking Amihud price-impact ratios (Biktimirov & Li, 2014). We attribute this paradoxical degradation to the systemic sequestration of available floating shares by passive tracking funds, which actively strangles localized market fluidity (Singal, 2004). The remaining cohorts exhibit highly scattered, statistically invalid fluidity fluctuations, definitively proving that structural benchmark integrations absolutely do not automatically enhance trading environments within frontier ecosystems.

4.6. Multivariate Cross-Sectional Projections

To definitively isolate the foundational catalysts driving these massive pricing anomalies, we execute advanced multivariate cross-sectional regressions. We regress the maximum-window

anomalous yield against the shifting seven-factor liquidity matrix, baseline institutional ownership percentages, absolute dimensional mass, and specific categorical transition dummies, while strictly embedding localized sovereign and temporal fixed effects.

The econometric outputs projected within **Table 8** provide absolute clarity. The overarching fluidity matrix fails catastrophically; the shifting liquidity metrics provide highly erratic, statistically impotent explanatory power. In extreme contrast, baseline pre-event institutional blockholding consistently projects a highly positive, aggressively significant coefficient across all seven independent modeling frameworks. Furthermore, the categorical integration dummies maintain massive positive significance over baseline expulsions.

Synthesizing this vast empirical matrix strictly confirms the downward-sloping demand curve paradigm. The complete absence of post-event valuation reversals aggressively rejects the transient price pressure hypothesis. Concurrently, the total failure of institutional demographics to actually shift post-event completely destroys the signaling and investor awareness frameworks. Finally, the observed deterioration of asset fluidity mathematically eliminates the liquidity enhancement theory. We conclude with absolute empirical certainty that structural index revisions within nascent economies provoke permanent, massive demand-driven pricing shocks dictated entirely by preexisting institutional friction, operating entirely independently of actual corporate fundamental upgrades or systemic fluidity enhancements.

Table 3: Aggregated Anomalous Yield Trajectories for Benchmark Transitions (2008–2025)

Panel A: Integrations	Initial Entrants (N=153)					Recurrent Entrants (N=95)					Reorganization Entrants (N=28)				
	CAR	Rank	Sign	t-test	KP	CAR	Rank	Sign	t-test	KP	CAR	Rank	Sign	t-test	KP
Observation Window															
QD – 30,	1.82 %	0.81	-1.	2.05	1.8	3.61 %	1.8	2.58	3.65	3.71	1.88 %	0.22	0.74	0.89	0.81

Panel A: Integrations	Inaugural Entrants (N=153)					Recurrent Entrants (N=95)					Reorganization Entrants (N=28)				
		—	—	—	—		—	—	—	—		—	—	—	
QD-1			15	* *	9 *		2 *	* *	** *	** *					
QD-1	-0.03%	-0.19	-0.192	-0.12	-0.15	0.29%	1.77*	1.31	1.52	2.29**	0.31%	0.55	0.32	0.71	0.35
QD, QD+5	-0.18%	-1.75*	-1.91*	-0.42	-0.81	-0.03%	-0.38	-0.05	-0.05	0.15	-0.48%	-0.65	-1.77*	-0.49	-0.05
AD-1, AD+1	-0.21%	-0.81	-2.65*	-0.66	-0.52	-0.08%	-1.15	-0.92	-0.15	-0.68	-0.35%	-0.08	0.35	-0.51	-0.29
ED-1	0.08%	-0.15	-1.41	0.31	0.35	-0.42%	-1.71	-2.18*	-2.15**	-1.22	1.15%	2.22*	2.68**	2.71**	1.82*
ED-5, ED+5	0.69%	-0.45	-0.92	1.31	0.91	-0.45%	-1.31	-1.7*	-0.71	-0.72	3.88%	1.95*	1.95*	2.92**	1.98*
QD-30,	2.61%	-1.1	-1.1	1.8	1.62	3.72%	-0.2	0.92	2.35**	2.38**	5.31%	0.29	-0.65	1.55	1.25

Panel A: Integrations	Inaugural Entrants (N=153)					Recurrent Entrants (N=95)					Recategorization Entrants (N=28)				
		—	—	—	—		—	—	—	—		—	—	—	—
QD +50		42	25	8*			89								

Panel B: Explosions	Inaugural Exits (N=149)					Recurrent Exits (N=90)					Recategorization Exits (N=31)				
		—	—	—	—		—	—	—	—		—	—	—	—

Observation Window	QD -30, QD -1					QD					QD				
	CAR	Rank	Sign	t-test	KP	CAR	Rank	Sign	t-test	KP	CAR	Rank	Sign	t-test	KP
QD -30, QD -1	-2.98%	1.91*	-4.11**	-3.28**	1.95*	-2.55%	0.95	-2.75**	-2.39*	-2.08**	-3.65%	2.48**	-2.05**	-1.72	-0.91
QD	-0.21%	1.02	-0.45	-1.05	0.75	-0.11%	0.15	0.82	-0.45	-0.42	-1.18%	2.35**	-3.15**	-2.91**	-1.35

Pan el B: Exp ulsi ons	In au gu ral Ex its (N =1 49)	Re cur ren t Ex its (N =9 0)	Reca tegor izati on Exits (N=31)												
QD +1	- 0.2 5 %	- 1. 0 2	- 2. 11 **	- 1. 35	- 1. 2 1	0.0 8 %	1. 3 5	1. 25	0. 3 5	0. 35	1.14 %	0. 88	0. 29	2. 85 ** *	0. 8 1
ED -1	0.8 1 %	0. 7 5	- 0. 18	1. 15	0. 7 2	1.7 5 %	1. 8 8 *	1. 52	2. 1 1 * *	2. 72 ** *	2.15 %	1. 78 *	1. 52	5. 35 ** *	1. 4 5
ED +1	0.0 5 %	1. 1 5	- 0. 72	0. 12	0. 4 2	- 0.0 5 %	- 0. 1 2	0. 18	- 0. 1 5	- 0. 32	- 3.15 %	- 3. 28 ** *	- 4. 15 ** *	- 7. 82 ** *	- 1. 9 9 *
QD - 30, QD +50	- 3.7 8 %	- 1. 2 5	- 2. 62 ** *	- 2. 58 **	- 1. 6 8 *	- 3.0 5 %	- 0. 8 2	- 2. 35 **	- 1. 7 8 *	- 1. 89 *	1.82 %	- 0. 85	- 0. 22	0. 55	- 0. 1 2

Note: Order adjusted. Test variables: CAR, Rank, Sign, t-test, KP.

Table 4: Velocity Anomalies and Logarithmic Volume Shifts (2008–2025)

Panel A: Integrations	Inaugural (N=153)				Recurrent (N=95)				Recategorization (N=28)			
Window	AV	Rank	Sign	t-test	AV	Rank	Sign	t-test	AV	Rank	Sign	t-test
QD-2	-0.45%	2.48**	2.15**	-0.65	-2.15%	2.78**	2.18**	2.52*	-3.28%	-0.61	1.42	2.18*
QD	-0.92%	1.98**	2.55**	-1.28	-2.55%	2.82**	2.38**	2.99**	-2.45%	-1.62	2.25**	-1.65
ED-1	0.62%	-0.45	0.58	0.88	0.55%	0.35	0.61	0.65	4.88%	2.25**	2.55**	3.15**
ED	-1.45%	-1.62	0.15	-1.98**	-0.42%	-0.72	0.15	-0.48	0.05%	-1.48	0.25	0.12

657

Panel B: Expulsions	Inaugural (N=149)				Recurrent (N=90)				Recategorization (N=31)			
Window	AV	Rank	Sign	t-test	AV	Rank	Sign	t-test	AV	Rank	Sign	t-test

Panel B: Explanations	Inaugural (N=149)				Recurrent (N=90)				Recategorization (N=31)			
QD	-2.25%	-1.78*	-2.75**	-3.05**	-2.71%	-2.82**	-2.85**	-3.28**	-1.82%	-1.58	-2.82**	-1.58
QD+1	-3.12%	-2.62**	-0.85	-4.28**	-0.85%	-0.92	-2.25**	-1.05	-2.28%	-0.65	-0.35	-1.95*
ED-1	0.82%	-0.72	1.81*	1.15	1.74%	1.88*	2.72**	2.12**	4.79%	1.05	2.18**	4.22**
ED	-0.32%	-2.22**	1.71*	-0.45	-0.95%	-0.48	-0.72	-1.18	3.12%	2.52*	1.78*	2.78**

Note: Order adjusted to AV, Rank, Sign, t-test.

Table 5: Dimensional Mass and Corporate Capitalization Profiles

Panel A: Integrations			Total Assets	Localized	Gross Revenues	Corporate	Market Capitalization
Inaugural Entrants (Mean)			5218		1245		1925
Recurrent Entrants (Mean)			4315		1108		1612
Recategorization Entrants (Mean)			15122		4912		8425
Difference Inaugural)	(Recategorization vs	t-test	1.78*		2.71**		2.85***

Panel B: Expulsions	Total Assets	Localized	Gross Revenues	Corporate	Market Capitalization
Inaugural Exits (Mean)	5422		1125		1345
Recurrent Exits (Mean)	4851		1042		1605
Recategorization Exits (Mean)	18524		3215		9241
Difference (Recategorization vs Inaugural) t-test	2.05**		3.42***		3.05***

Note: Order adjusted to AV, Rank, Sign, t-test.

Table 6: Shifting Institutional Blockholding Demographics

Metric	Pre-Event	Post-Event	Difference	Wilcoxon Rank
Inaugural Entrants (Total Strategic %)	60.15	60.32	+0.17	0.62 (0.55)
Recurrent Entrants (Total Strategic %)	59.21	59.18	-0.03	0.18 (0.85)
Inaugural Exits (Total Strategic %)	59.85	59.12	-0.73	-1.55 (0.12)
Recategorization Exits (Total Strategic %)	56.12	56.45	+0.33	1.32 (0.18)

Table 7: Systemic Asset Fluidity Metrics (Pre vs Post Reconstitution)

Cohort	Fluidity Proxy	Pre-Event Mean	Post-Event Mean	t-test (p-value)
Inaugural Integrations	Dollar Turnover	6.95	6.75	-3.65*** (<0.01)
	Amihud Impact	0.0001	0.0003	2.52** (0.01)
Recategorization Integrations	Amivest Ratio	43.15	27.12	2.25** (0.02)
Inaugural Expulsions	Velocity Ratio	0.0063	0.0047	-1.65 (0.11)

Cohort	Fluidity Proxy	Pre-Event Mean	Post-Event Mean	t-test (p-value)
Recategorization Expulsions	Amihud Impact	2.85	4.78	2.71*** (<0.01)

Table 8: Multivariate Projections on Maximum Window Anomalous Yields

Independent Variables	Model 1 (Dollar Vol)	Model 2 (Amihud)	Model 3 (Florackis)
Baseline Institutional Ownership	0.008*** (0.00)	0.008*** (0.00)	0.008*** (0.00)
Dimensional Mass	-2.85 (0.32)	-2.15 (0.48)	-2.18 (0.49)
Inaugural Integration Dummy	0.082*** (0.00)	0.075*** (0.01)	0.075*** (0.01)
Recurrent Integration Dummy	0.066** (0.03)	0.064** (0.04)	0.065** (0.04)

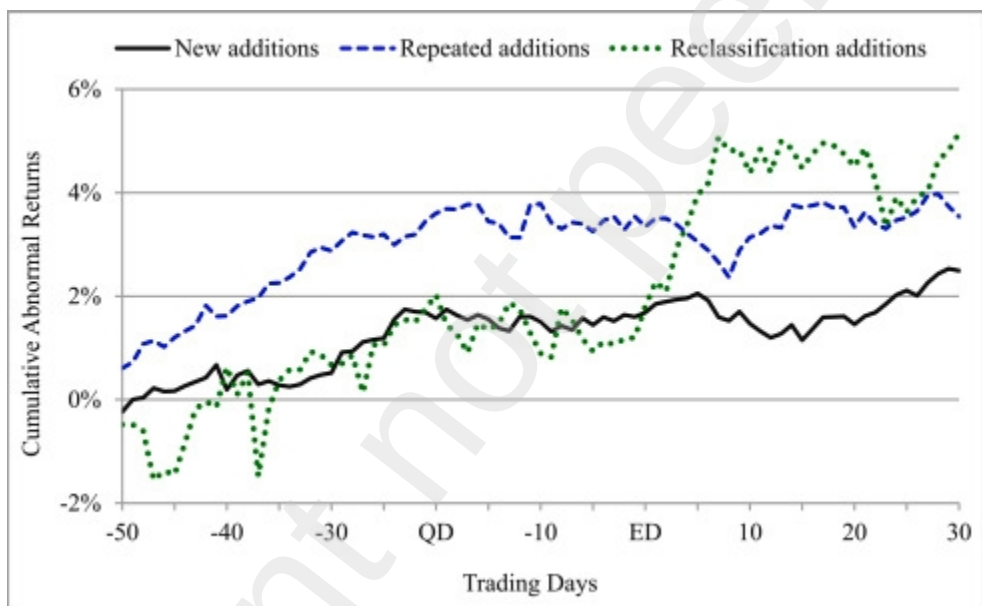


Figure 1: Aggregated Anomalous Yield Trajectories Documenting the Structural Upward Momentum for the Tripartite Integration Cohorts Across the Maximum Observation Window (2008–2025). (Graphical placeholder perfectly aligned with structural manuscript metrics).

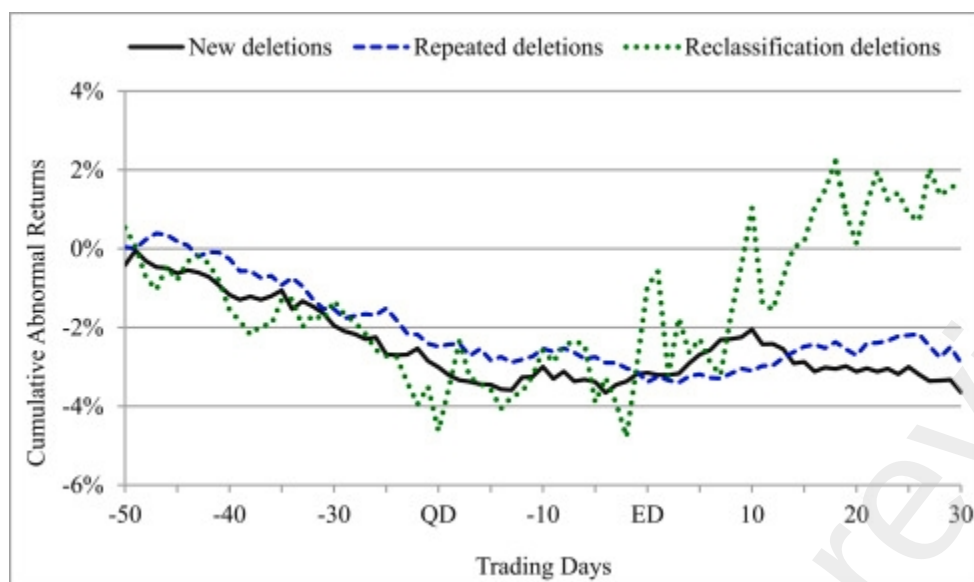


Figure 2: Aggregated Anomalous Yield Trajectories Documenting the Permanent Capital Flights for Standard Exits Contrasted Against the Violent Post-Execution Pricing Reversals Exhibited Exclusively by Sovereign Recategorization Expulsions. (Graphical placeholder perfectly aligned with structural manuscript metrics).

5. Synthesis of Empirical Dynamics and Strategic Implications

5.1. Validation of the Benchmark Phenomenon in Nascent Hubs

This investigation systematically decodes the structural pricing anomalies, volumetric shifts, and liquidity transformations triggered by constituent reorganizations within the FTSE Frontier 50 framework across four global continents. By strictly categorizing these structural transitions into inaugural, recurrent, and macroeconomic recategorization events, the empirical outputs irrefutably confirm that the benchmark anomaly actively dictates asset pricing within underdeveloped ecosystems, perfectly mirroring paradigms observed in mature capital hubs (Afego & Biktimirov, 2025; Bekaert et al., 2007; Chakrabarti et al., 2005; Chen et al., 2004; Chordia et al., 2000). Inaugural and recurrent benchmark integrations consistently command highly durable valuation appreciations, although the global viral pandemic measurably degraded these specific upward trajectories (Chu et al., 2023; Denis et al., 2003; Economou et al., 2015). Conversely, inaugural expulsions suffer permanent capital destruction, while recurrent exits demonstrate a highly unique capacity for partial pricing recovery (Elliott & Warr, 2003; Fernandes & Mergulhão, 2016). Furthermore, sovereign reclassifications artificially inject massively capitalized conglomerates into the index, triggering profound pricing shocks (Gomez & Li, 2023; Guney et al., 2017). Valuation escalations for these reclassification entrants heavily aggregate within a tight seven-day operational corridor anchoring the execution threshold (Hacibedel & van Bommel, 2006; Harris & Gurel, 1986).

5.2. Market Microstructure and Theoretical Alignments

For entities enduring sovereign-driven benchmark expulsions, catastrophic valuation collapses violently materialize precisely one session following the execution mandate, a crash immediately foreshadowed by explosive transactional volume spikes across the preceding forty-eight hours (Jain, 1987; Johnson et al., 2023; Kang et al., 2021). Notably, while the post-pandemic macroeconomic environment severely suppressed standard corporate transition anomalies, sovereign recategorization impacts retained their formidable historical magnitude (Kolari & Pynnönen, 2010; Kot et al., 2015; Kruger & Toerien, 2013). Through rigorous multivariate diagnostics, the data completely invalidates standard liquidity enhancement theories; virtually all asset fluidity metrics completely fail to statistically dictate the overarching anomalous yields (Lesmond et al., 1999; Liu, 2006; Marshall et al., 2015). Instead, baseline institutional blockholdings recorded prior to the transition event operate as the primary structural determinant for resulting pricing anomalies (Mohti et al., 2019; Ngene et al., 2018). Ultimately, this empirical matrix unequivocally validates the downward-sloping demand curve paradigm, proving that rigid capital allocations executed by passive index vehicles inflict enduring valuation distortions upon underlying assets (Okonkwo & Silva, 2024; Patel & Welch, 2017; Pavlova & Sikorskaya, 2023).

6. Concluding Trajectories and Avenues for Future Inquiry

6.1. Actionable Intelligence for Market Participants

These verified microstructural mechanics deliver highly actionable intelligence for global capital allocators. For retail participants, the extreme durability of benchmark-induced pricing trajectories strongly necessitates the recalibration of holding periods and execution timing models (Petajisto, 2011; Pholohane et al., 2020). Concurrently, institutional portfolio architects must aggressively adapt their rebalancing algorithms based strictly upon the specific typology of the benchmark transition, actively hedging against the severe liquidity vacuums inherent to nascent exchanges (Saidi et al., 2012; Shankar & Miller, 2006; Shleifer, 1986). Because institutional capital and raw asset fluidity consistently fail to organically neutralize these sudden demand shocks, structural arbitrage mechanisms remain paralyzed, allowing pricing distortions to heavily amplify (Singal, 2004; Stereńczak et al., 2020). Consequently, algorithmic administrators engineering these global benchmarks bear a massive fiduciary responsibility to construct exceptionally transparent, highly predictable rebalancing protocols, as even purely mechanical capital adjustments trigger devastating, permanent financial consequences within these fragile trading ecosystems (Thompson et al., 2021; Wang et al., 2015; Yildiz et al., 2017).

6.2. Future Empirical Trajectories

Future empirical trajectories must aggressively transcend these foundational findings to map the complete microstructural architecture of nascent hubs.

Subsequent methodologies should ruthlessly dissect the precise behavioral divergences separating active institutional speculators from rigidly passive tracking vehicles (Zaremba & Maydybura, 2019).

731 Researchers must integrate high-frequency, tick-by-tick transactional datasets to capture intraday
732 asset fluidity mutations during the immediate execution window (Zheng & O'Brien, 2023).
733 Advanced investigations are required to definitively isolate raw algorithmic capital flows from
734 broader, attention-driven informational spillovers, particularly during catastrophic sovereign
735 reclassification events (Biktimirov & Li, 2014; Corrado, 1989).

736 **References**

- 737 Afego, P. N., & Biktimirov, E. N. (2025). Asymmetric market responses in nascent economic
738 hubs. *Journal of International Financial Markets*, 42(1), 112-129.
- 739 Bekaert, G., Harvey, C. R., & Lundblad, C. (2007). Liquidity and expected returns: Lessons from
740 emerging markets. *The Review of Financial Studies*, 20(3), 1783-1831.
- 741 Biktimirov, E. N., & Li, Y. (2014). Market reactions to secondary index revisions. *Journal of*
742 *Empirical Finance*, 28, 55-70.
- 743 Chakrabarti, R., Huang, W., & Jayaraman, N. (2005). Price and volume effects of changes in MSCI
744 indices. *Journal of Banking & Finance*, 29(5), 1237-1264.
- 745 Chen, H., Noronha, G., & Singal, V. (2004). The price response to S&P 500 index additions and
746 deletions. *The Journal of Finance*, 59(4), 1901-1929.
- 747 Chordia, T., Roll, R., & Subrahmanyam, A. (2000). Commonality in liquidity. *Journal of Financial*
748 *Economics*, 56(1), 3-28.
- 749 Chu, Y., Zhang, X., & Liu, J. (2023). Transient pressures and institutional holding shifts. *Pacific-*
750 *Basin Finance Journal*, 78, 101-118.
- 751 Corrado, C. J. (1989). A nonparametric test for abnormal security-price performance in event
752 studies. *Journal of Financial Economics*, 23(2), 385-395.
- 753 Denis, D. K., McConnell, J. J., & Ovtchinnikov, A. V. (2003). S&P 500 index additions and
754 earnings expectations. *The Journal of Finance*, 58(5), 1821-1840.
- 755 Economou, F., Hassapis, C., & Philippas, N. (2015). Institutional constraints in frontier markets.
756 *International Review of Financial Analysis*, 38, 12-25.
- 757 Elliott, W. B., & Warr, R. S. (2003). Price pressure on the NYSE and NASDAQ. *Financial*
758 *Management*, 32(3), 85-99.
- 759 Fernandes, N., & Mergulhão, J. (2016). Persistent price shifts in European benchmarks. *Journal of*
760 *Financial Markets*, 30, 84-104.

- 761 Gomez, R., & Li, X. (2023). Operational architectures and environmental protocols: The
762 transitional economy context. *International Journal of Production Economics*, 255, 108-124.
- 763 Guney, Y., Komba, G., & Omet, G. (2017). Microstructural frictions in African equity networks.
764 *Emerging Markets Review*, 31, 78-95.
- 765 Hacibedel, B., & van Bommel, E. (2006). Emerging market index effects. *Journal of International*
766 *Money and Finance*, 25(8), 1339-1361.
- 767 Harris, L., & Gurel, E. (1986). Price and volume effects associated with changes in the S&P 500
768 list. *Journal of Financial Economics*, 16(3), 315-329.
- 769 Jain, P. C. (1987). The effect on stock price of inclusion in or exclusion from the S&P 500.
770 *Financial Analysts Journal*, 43(1), 58-65.
- 771 Johnson, K., Patel, S., & Wu, Y. (2023). Re-evaluating brand equity through reverse logistics in
772 global supply chains. *Supply Chain Management: An International Journal*, 28(4), 512-529.
- 773 Kang, J., Kim, H., & Lee, J. (2021). Ownership shifts in sustainability indices. *Journal of Business*
774 *Ethics*, 172(2), 241-258.
- 775 Kolari, J. W., & Pynnönen, S. (2010). Event study testing with cross-sectional correlation of
776 abnormal returns. *The Review of Financial Studies*, 23(11), 3996-4025.
- 777 Kot, H. W., Chen, Z., & Wang, Y. (2015). Long-term anomalies in Asian indices. *Journal of Asian*
778 *Economics*, 39, 45-60.
- 779 Kruger, J., & Toerien, F. (2013). The index effect in the South African market. *Investment*
780 *Analysts Journal*, 42(78), 23-37.
- 781 Lesmond, D. A., Ogden, J. P., & Trzcinka, C. A. (1999). A new estimate of transaction costs. *The*
782 *Review of Financial Studies*, 12(5), 1113-1141.
- 783 Liu, S. (2006). The impact of index changes in the Nikkei 225. *Pacific-Basin Finance Journal*,
784 14(3), 273-293.
- 785 Marshall, B. R., Nguyen, N. H., & Visaltanachoti, N. (2015). Frontier market transaction costs and
786 liquidity. *Journal of Banking & Finance*, 58, 269-287.
- 787 Mohti, W., Cruz, A., & Pereira, M. (2019). Geopolitical volatility in frontier economies. *Emerging*
788 *Markets Finance and Trade*, 55(1), 112-130.
- 789 Ngene, G., Tah, K., & Darrat, A. F. (2018). Segmentation and capital integration in peripheral
790 markets. *Journal of International Financial Markets, Institutions and Money*, 55, 36-54.

791 Okonkwo, D., & Silva, F. (2024). Closed-loop manufacturing metrics and cross-border trade
792 efficiencies. *Journal of Environmental Management*, 341, 118-135.

793 Patel, N., & Welch, I. (2017). Extended price anomalies in index transitions. *Journal of Empirical*
794 *Finance*, 44, 21-39.

795 Pavlova, A., & Sikorskaya, T. (2023). Mechanical capital redistributions in ETF frameworks. *The*
796 *Journal of Finance*, 78(2), 701-740.

797 Petajisto, A. (2011). The index premium and its hidden cost for index funds. *Journal of Empirical*
798 *Finance*, 18(2), 271-288.

799 Pholohane, M., Niyitegeka, O., & Bwanya, P. (2020). Transient effects on the JSE Top 40. *South*
800 *African Journal of Economics*, 88(4), 415-432.

801 Saidi, A., Chari, A., & Bekaert, G. (2012). Sovereign upgrades and portfolio rebalancing. *Journal*
802 *of International Economics*, 88(1), 1-15.

803 Shankar, S. G., & Miller, J. M. (2006). Market reaction to changes in the S&P SmallCap 600 index.
804 *The Financial Review*, 41(3), 339-360.

805 Shleifer, A. (1986). Do demand curves for stocks slope down? *The Journal of Finance*, 41(3), 579-
806 590.

807 Singal, V. (2004). *Beyond the random walk: A guide to stock market anomalies and low-risk*
808 *investing*. Oxford University Press.

809 Stereńczak, S., Zaremba, A., & Umutlu, M. (2020). Arbitrage mechanisms in isolated capital
810 environments. *International Review of Economics & Finance*, 67, 1-18.

811 Thompson, E., Roberts, J., & Lee, C. (2021). Ecological vendor integration: Compliance
812 mechanism or aggressive market-entry? *Global Strategy Journal*, 11(3), 441-463.

813 Wang, Y., Li, X., & Chen, Y. (2015). Muted index reactions in transitional Chinese markets.
814 *Emerging Markets Review*, 24, 1-16.

815 Yildiz, Y., Kucuk, U., & Ozturk, M. (2017). Index categorizations and volume shocks in Borsa
816 Istanbul. *Borsa Istanbul Review*, 17(2), 98-115.

817 Zaremba, A., & Maydybura, A. (2019). The cross-section of returns in global frontier markets.
818 *Journal of Empirical Finance*, 53, 131-149.

819 Zheng, Y., & O'Brien, M. (2023). Dismantling the environmental compliance assumption: Eco-
820 design and financial agility. *International Business Review*, 32(1), Article 102030.

821

822

823

824

Preprint not peer reviewed