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EUPHORIA OR WORRY? STOCK MARKET WELCOMES NEW PRESIDENT IN 2024

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Abstract

The announcement of the president-elect's victory in 2024 has triggered price movements in global stock markets. This study aims to analyse the changes in major stock market indices before and after the announcement, as well as evaluate investor sentiment as reflected through stock price movements. Data collected from the indexBUMN20 showed volatility during the announcement period, with some sectors experiencing gains while others experienced declines. The research findings indicate that expectations of economic and political policies brought by the president-elect do not play a crucial role in shaping market reactions. The test results show that the market is not affected by the political event. This study provides insights into how political changes can affect financial market dynamics and help investors in anticipating future market movements.

Keywords: abnormal return,market reaction,political event

INTRODUCTION

The capital market as an economic instrument is experiencing a very rapid development in which company stock trading occurs. Stock trading is influenced by internal and external events that cause the market to react (Riyani *et al*., 2020). The capital market plays an important role in a country's economy because it allows efficient capital allocation and supports economic growth. Capital market performance can be affected by various factors, including significant political events, such as general elections. One political event that has a potential impact on the capital market is the announcement of a presidential victory.

In a country's economy, the existence of the private sector is one of the factors that is very helpful in encouraging the acceleration of economic development. One of them is investment, which is a means for the growth and development of a country's economy. Stable political conditions tend to improve the economic performance of a country. This is due to the level of risk of loss caused by non-economic factors, so that political events that threaten the stability of the country, such as elections, changing heads of state, or variouspolitical riots, tend to get a response from market participants (Wahyuni & Widiasmara, 2019).

The 2024 presidential election of the Republic of Indonesia is an important event that not only determines the country's political direction and economic policies, but also has significant implications for the capital market. The announcement of a presidential victory can affect investor sentiment, which in turn can affect stock prices. In this regard, state-owned banks (SOE Banks) are an interesting subject to analyse as they are often considered as proxies of the country's economy and political stability.

Abnormal return is the difference between the actual return of a stock and the expected return based on the market model. Abnormal return analysis can provide insight into how the market reacts to a particular event. By analysing the abnormal returns on the shares of state-owned banks in relation to the announcement of the presidential victory, it is possible to understand the direct impact of political events on the country's banking sector and more broadly, on the capital market.

From this phenomenon, this study aims to evaluate the impact of the announcement of the victory of the President of the Republic of Indonesia in 2024 on the abnormal return of shares of state-owned banks. Using the event study method, this study will identify the presence of significant abnormal returns around the announcement date, which reflects the market reaction to the presidential election results. The results of this study are expected to provide insights for investors, government, and market participants regarding the impact of political events on the capital market and banking sector in Indonesia. Some of the things that we will convey from the research article that we wrote are explained in the following order in section 2, we discuss the literature review and hypothesis formulation. Section 3 discusses research methods, section 4 discusses research findings narrated in the explanation of research results and discussion. Furthermore, we close with conclusions, research implications, limitations, and research suggestions.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Signalling Theory

Signal theory explains that a company's business processes can provide a code intended for people who read a company performance report. A signal that is used is a code for information about the actions taken by management to provide complete information to shareholders. Important information describing a company's speciality when compared to other competitors is a code (Anwar, 2019). Important information provided has an important content, thus helping capital owners to make policies in making an investment (Hartono, 2018) it can also be a way to convince capital owners to participate in studying the company's performance before buying shares. Using this important information, capital owners are able to assess how much risk will be accepted. Capital owners are able to plan, and decide how much money to invest as share capital in the business. A good signal containing announced information will make the market respond and is expected to be well received.

Efficient Capital Market Theory

In a fully efficient securities market, where all prices are accessible and there are no particular constraints, capital owners tend to place a significantly high valuation on a company's share price. If the value of a stock accurately reflects all information deemed appropriate, the stock market is considered efficient (Obenpong Kwabi *et al*., 2024). Historical data that is available to everyone, such as full company performance reports, company profit sharing, and stock splits, fall into this category. Tendelin, who is a researcher, also provides examples of event studies that show how the stock market responds to announcements of unification or merger of companies into one name, earnings announcements, and management changes. For example, a significant stock price reaction to a merger announcement indicates that the market perceives the information as important news that affects the valuation of the company.

Capital Market

The capital market is also a way for companies to raise funds by selling their ownership rights to the public. The capital market can also be interpreted as a meeting between parties who have excess funds (investors/savers) and parties who need funds by trading securities. Thus, the capital market can also be interpreted as a market for trading securities that generally have a lifespan of more than one year, such as stocks and bonds. Meanwhile, the place where the buying and selling of securities takes place is called the stock exchange (Paningrum, 2022).

The capital market is one of the important instruments in the economy that allows for efficient capital allocation and supports economic growth (Bodie, Kane, & Marcus, 2014). Market reactions to certain events can be reflected in changes in stock prices, which are often caused by changes in investors' perceptions of risk and profit prospects. In this context, political events such as general elections can have a significant impact on the capital market because they can change investors' expectations of future economic policies (Fama, 1970). The results of the research that have been mentioned, the first hypothesis can be formulated as follows:
Ho: There is no difference in abnormal returns in the event period during the eleven-day observation period for the announcement of the victory of the President of the Republic of Indonesia in 2024 (days throughout the event period).
Ha: There are differences in abnormal returns in the event period during the eleven-day observation period for the announcement of the victory of the President of the Republic of Indonesia in 2024. (days throughout the event period).

Abnormal Return

Abnormal return is a measure of stock performance that deviates from expected returns based on market models. Market models, such as the single index model, are used to estimate expected returns which are then compared to actual returns to determine abnormal returns (Campbell, Lo, & MacKinlay, 1997). Previous research shows that political events can affect abnormal stock returns, depending on investors' expectations of the economic implications of the event (Cutler, Poterba, & Summers, 1989). According to research (Hanif, 2020), found a significant difference in abnormal returns before and after Joe Biden's acceptance speech as president in the United States. However, Pratama and Devi's research (2021) did not find any significant abnormal returns. The results of the research that have been mentioned, the second hypothesis can be prepared as follows:
Ho: There is no abnormal return before and after the announcement of the President-elect's victory in 2024.
Ha: There are abnormal returns before and after the announcement of the President-elect's victory in 2024.

RESEARCH METHODS

This research uses a quantitative approach with the event study method to analyse the abnormal return of BUMN Bank shares listed on the IDX BUMN 20, in connection with the event of the announcement of the victory of the President of the Republic of Indonesia in 2024. Event study or commonly referred to as event study is a method used to measure the impact of a specific event on firm value by calculating abnormal returns during the period associated with the event. The population in this study are all stocks listed on the Indonesia Stock Exchange (IDX), with the sample used being the shares of state-owned banks listed on the IDXBUMN20 stock exchange. The data used in this study is secondary data which includes the daily stock price of each state-owned bank and the Jakarta Composite Index (JCI) as a market proxy. The data was obtained from the Indonesia Stock Exchange and other financial data sources. IDX BUMN 20 is an index of shares belonging to 20 BUMN, BUMD and their affiliates on the Indonesia Stock Exchange (IDX). With the following company codes:

Table 1. IDXBUMN20

No	Code	Description
1.	ADHI	PT ADHIKARYA PERSERO Tbk.
2.	AGRO	PT BANK RAYA INDONESIA Tbk.
3.	ANTM	ANEKA TAMBANG Tbk.
4.	BBNI	Bank Negara Indonesia
5.	BBRI	Bank Rakyat Indonesia
6.	BBTN	Bank Tabungan Negara
7.	BJBR	Bank Pembangunan Daerah JAWA BARAT
8.	BJTM	Bank Pembangunan Daerah JAWA TIMUR
9.	BMRI	PT BANK MANDIRI PERSERO Tbk.
10.	BRIS	PT BANK SYARIAH INDONESIA Tbk.
11.	ELSA	ELNUSA Tbk.
12.	JSMR	PT JASA MARGA Tbk.
13.	MTEL	PT DAYAMITRA KOMUNIKASI Tbk.
14.	PGAS	PT PERUSAHAAN GAS NEGARA Tbk.
15.	PGEO	PT PERTAMINA GHEOTERMAL ENERGY TbK.
16.	PTBA	BUKIT ASAM Tbk.
17.	PTPP	PP PERSERO Tbk.
18.	SMGR	SEMEN INDONESIA PERSERO Tbk.
19.	TINS	PT TIMAH Tbk.
20.	TLKM	PT TELKOM INDONESIA PERSERO Tbk.

Source : *IDX.co.id*, 2024

RESULTS AND DISCUSSION

Normality Test

Before conducting hypothesis testing, the data to be processed is tested for data normality. The normality test is carried out to determine whether the data used is normally distributed to determine the normality of the Average Abnormal Return (AAR) data in the period before and after the event.

Table 2. Normality Test of Average Abnormal Return

Tests of Normality

	Kolmogorov-Smirnov[a]			*Shapiro-Wilk*		
Periode	*Statistic*	*df*	*Sig.*	*Statistic*	*df*	*Sig.*
TMIN5	*.224*	*20*	*.010*	*.818*	*20*	*.002*
TMIN4	*.137*	*20*	*.200***	*.935*	*20*	*.189*

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TMIN3	*.184*	*20*	*.076*	*.844*	*20*	*.004*
TMIN2	*.125*	*20*	*.200**	*.967*	*20*	*.694*
TMIN1	*.255*	*20*	*.001*	*.833*	*20*	*.003*
TNOL	*.213*	*20*	*.018*	*.901*	*20*	*.043*
T1	*.188*	*20*	*.061*	*.804*	*20*	*.001*
T2	*.290*	*20*	*.000*	*.812*	*20*	*.001*
T3	*.133*	*20*	*.200**	*.950*	*20*	*.370*
T4	*.183*	*20*	*.077*	*.919*	*20*	*.094*
T5	*.179*	*20*	*.093*	*.899*	*20*	*.040*
AARSBLM	*.155*	*20*	*.200**	*.921*	*20*	*.103*
AARSSDH	*.217*	*20*	*.014*	*.883*	*20*	*.020*

**. This is a lower bound of the true significance.*

a. Lilliefors Significance Correction

Source: Output of SPSS version 22, 2025

Based on the normality test results in Table 2, it shows that the Asymp. Sig. value of the average abnormal return before the event is 0.200 and the average abnormal return after the event is 0.014. The value of Asymp. Sig. the average abnormal return before and after the event has different results. In the period before the event the value of Asymp. Sig. value is greater than 0.05 (0.200> 0.05), while in the period after the event the Asymp. Sig. value is smaller than 0.05 (0.014 < 0.05).

Based on the normality test results, it can be concluded that the average data for the period after the event is not normally distributed. Thus, the hypothesis testing technique used is the non-parametric Wilcoxon Signed Rank Test.

Hypothesis Test

This hypothesis testing aims to prove whether the announcement of the victory of the President-elect in 2024 is responded by the market, resulting in an AAR value with a minimum significant value of 0.05 = 5%. This test is conducted using the One Sample t-Test analysis technique. The calculation results can be seen in table 2 which illustrates the t-test results on AAR.

Table 3. One Sample T-Test Average Abnormal Return Test

Period	Sig. (2-tailed)	Description
TMN5	0.709	Not Significant
TMN4	0.666	Not Significant
TMN3	0.283	Not Significant
TMN2	0.178	Not Significant
TMN1	0.601	Not Significant
T0	0.737	Not Significant
T1	0.027	Significant
T2	0.218	Not Significant
T3	0.362	Not Significant
T4	0.578	Not Significant
T5	0.249	Not Significant

Source: Output of SPSS Version 22, 2025

Based on Table 3, it shows that during the 11-day observation period there is only one day that there is an abnormal return, namely on T1, which obtained a significance value of 0.027 and for other periods there is no abnormal return.

Hypothesis Testing 1

Tests to see whether or not there is a stock market reaction to the announcement of the victory of the President-elect in 2024 are carried out using the abnormal stock return value on the 5 days before to 5 days after the announcement of the victory of the President-elect in 2024.

The test was conducted using the one sample t test. In principle, the test is to compare the average abnormal stock return or Average Abnormal Return (AAR) by comparing the abnormal stock return of 0 or no abnormal stock return. The AAR value is the average abnormal stock return of all sample companies.

Ho: There is no difference in abnormal returns in the event period during the eleven-day observation period for the announcement of the victory of the President of the Republic of Indonesia in 2024. (days throughout the event period).

Ha: There are differences in abnormal returns in the event period during the eleven-day observation period for the announcement of the victory of the President of the Republic of Indonesia in 2024. (days throughout the event period).

There is no significant change that occurs before and after the announcement of the victory of the President-elect in 2024, which indicates that investors or market participants do not respond to the shares of BUMN companies. The results of this study are in line with research conducted by (Resalia *et al*.,2020) The results showed that there was a significant difference in reaction to the average before and after the event. However, there is no significant difference between the average abnormal return before and during the event. Likewise with the average abnormal return after the event. There is a significant difference in average trading volume activity before and after the event.

Table 4. Wilcoxon Signed Ranks Test Results Average Abnormal Return Before and After the Event

Ranks

		N	Mean Rank	Sum of Ranks
AARSSDH - AARSBLM	Negative Ranks	9[a]	11.78	106.00
	Positive Ranks	11[b]	9.45	104.00
	Ties	0[c]		
	Total	20		

a. AARSSDH < AARSBLM
b. AARSSDH > AARSBLM
c. AARSSDH = AARSBLM

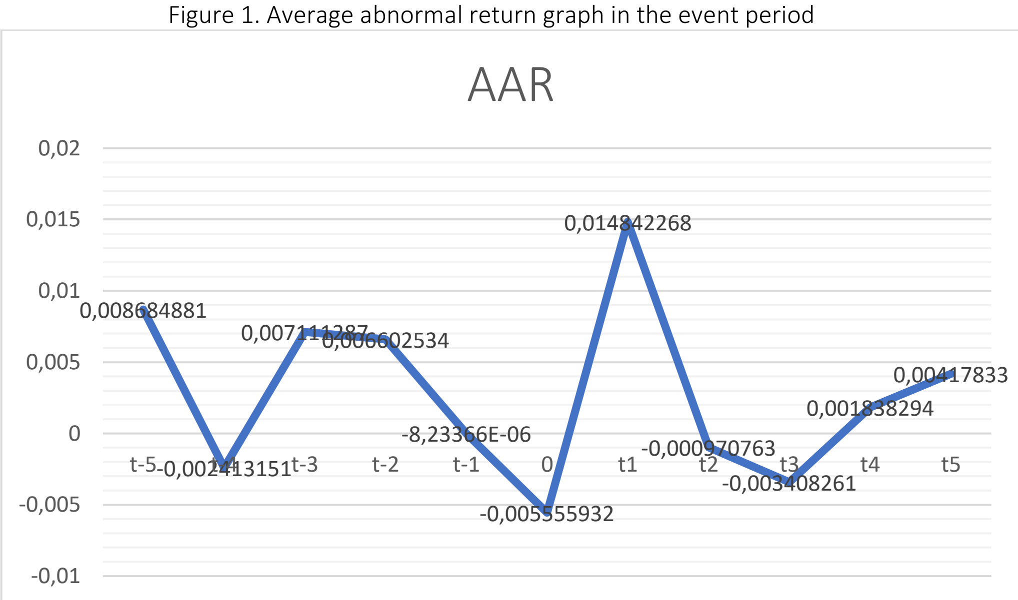
Test Statistics[a]

	AARSSDH - AARSBLM
Z	-.037[b]
Asymp. Sig. (2-tailed)	.970

a. Wilcoxon Signed Ranks Test
b. Based on positive ranks.

Source: Output of SPSS Version 22, 2025

Figure 1. Average abnormal return graph in the event period



Source : Output of SPSS 22, 2025

Based on table 4 and figure 1, the results of the Wilcoxon signed rank test of the average abnormal return data between the periods before and after the announcement of the President-elect's victory in 2024 show that the Asymp. Sig. value of 0.970 is greater than 0.05 or 5 per cent (0.970> 0.05) which means H2 is rejected and it can be concluded that there is no significant difference in the average abnormal return between the period before and after the announcement of the President-elect's victory in 2024 in BUMN companies.

Hypothesis Testing 2

The results of testing hypothesis H2 conducted in this study using the Wilcoxon signed rank test show that there is no significant difference in the average abnormal return 5 days before and 5 days after the announcement of the victory of the President-elect in 2024, which indicates that there is no capital market reaction proxied by the average abnormal return before and after the event on BUMN stocks. This interprets that the information contained in the announcement of the President-elect's victory in 2024 does not have important information content for investors, which causes the capital market not to react to the announcement event and investors consider that the announcement event is not an event that can affect them to make transactions in BUMN shares in the capital market.
Ho: There is no abnormal return before and after the announcement of the President-elect's victory in 2024.
Ha: There is an abnormal return before and after the announcement of the President-elect's victory in 2024.

There is no significant difference in abnormal returns before and after the announcement of the President-elect's victory in 2024, in accordance with research conducted by (Pratama & Devi, 2021) which shows that there is no significant average difference in abnormal returns and trading volume activity before and after the announcement of the election of the President of the United States Joe Biden.

CONCLUSION

From the results of the above research conducted to see the capital market reaction in state-owned companies listed on the Indonesia Stock Exchange during the announcement of the President-elect's victory in 2024, the researchers concluded that:

a. There is no difference in abnormal returns of state-owned companies listed on the IDX in the period before and after the announcement of the President-elect's victory in 2024 throughout the observation day, namely from T-5 to T+5, which indicates that the event has no information content. therefore, the Indonesian capital market does not respond to the announcement event.
b. There is no capital market reaction proxied by abnormal returns before and after the announcement of the President-elect's victory in 2024, this is indicated by the fact that there is no difference in the abnormal return of BUMN companies listed on the IDX before and after the announcement of the President-elect's victory in 2024.

Based on the results of the research that has been done, the suggestions that can be given are:
a. Investors are expected not to rush into making decisions and consider the information they receive from various events, especially if it relates to political news such as the announcement of the President-elect's victory in 2024.
b. In order for market participants not to act emotionally and ignore important conditions and future prospects of the company, the company must take the right policy and improve its performance to increase investor confidence in the issuer.

c. Future researchers can conduct research on capital market reactions using other political events, both in Indonesia and abroad, which can affect investors' reactions to the capital market. They can also examine the reactions of capital market players in other countries and compare them with data or other political events in other countries.

Research Implication

According to the research, here are some consequences of the stock market reaction to the announcement of the president-elect's 2024 victory:
a. Investment Planning: These results will help investors plan their investment strategies by seeing how the stock market will change after a major political announcement.
b. Government and Economic Policy: Policymakers can gain an understanding of how political decisions impact financial markets, which can help them make better economic policies.
c. Market Stability: This analysis can help in determining the factors that cause uncertainty in the market and plan actions that will help maintain market stability during periods of political transition.
d. Prediction Model Development: These results can be used to create more accurate prediction models of stock market reactions to significant political changes.
e. Risk Management: This research can help companies and risk managers manage the risks associated with market uncertainty caused by political changes.
f. Education and Training: This research can be used as an important resource in financial training and education programmes to improve understanding of the relationship between financial markets and politics.
g. Corporate Policy: The impact of the president-elect's policies on industry sectors can influence a company's corporate strategy.
h. Academic Literature: This study adds to previous research on the relationship between politics and financial markets and provides a basis for further research in the future.

Research Limitations
a. Uncontrolled Variables. The announcement of a presidential victory incorporates many other external factors that affect the stock market, such as central bank policies, the global economic situation, and geopolitical events.
b. Media and Information Bias. Media bias or the quality of different information sources may affect the information used in the research.
c. Econometric Assumptions and Models. When used in analyses, certain econometric models may make assumptions that may not be entirely accurate or in line with actual market circumstances.
d. Different Investor Reactions. Individual and institutional investors may respond to political news in different ways, and this research may not fully understand these differences.
e. Psychological and Emotional Effects. Measuring and analysing the psychological and emotional factors of investors that influence trading decisions is often difficult.
f. Sector-Specific Analysis. The impact of political announcements may vary between industries, and general research may not be able to identify these differences thoroughly.
g. External Validity. The results of one political event cannot always be generalised to other political events or in other countries.

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