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The Impact of General Election 2018 on Stock Prices: Evidence from Emerging Economy

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Abstract

Objective: This study investigates the impact of the General Election 2018 on the stock prices of firms listed on the Pakistan Stock Exchange (PSX).

Methodology: A random sample of 50 firms from the PSX was selected to analyze the effects of this political event. The research timeline spans 100 days before and 100 days after the election, allowing for a comprehensive examination of stock price dynamics. To conduct the analysis, a fixed effect model was employed for regression analysis.

Results: The results of this study indicate a noteworthy negative response in the stock prices of companies listed on the PSX following the General Election 2018. This adverse impact can be attributed to the prevailing investor insecurity regarding the performance of these companies, which, in turn, has reduced interest in equity securities. Consequently, the stock performance of listed companies has declined during the specified time frame.

Implications: The empirical analysis presented in this research sheds light on the correlation between political events and stock prices and offers valuable insights for formulating equity investment and stock management policies. This study, therefore, serves as a vital contribution to the existing literature by providing innovative empirical evidence on the intricate relationship between political events, investor sentiment, and stock prices in the specific context of Pakistan's General Election 2018.

Novelty: It offers a deeper understanding of how political dynamics affect the financial markets and the implications for investors and policymakers.

Keywords: Stock Prices; Pakistan Stock Exchange (PSX); General Election; Stock Performance

JEL Classification: G14, E44, P16

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