The Impact of Political Activities on PSX: The Evidence from Pakistan

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Abstract *The aim of this research study is to find the association between political events in Pakistan and Pakistan's stock exchange. The study considered 10 most big political events in Pakistan in the duration of 2012 to 2017. To calculate the results, the study used moving average method for calculating expected and abnormal returns. Further, t-statistics is used to explore the relationship between political events and behavior of PSX (100). The study has explored in results that political events, on which investor believes some change in Government policies do have impact on PSX. Investors respond positively when government organizations look strong and free from political pressure. The study recommended that government should make strong their organization, rather than alter government policies frequently. .*

Introduction

Many economic indicators like exchange rate, foreign market trends, inflation, interest, and deflation, etc do have impact on stock return. But political events can be considered to affect the performance of many economic activates in less developed or developing countries because of their volatile political circumstances (Bittlingmayer, 1998). Country political stability is an influencing factor in investor decisions. The investor considers political stability of a country for their investment which untimely changes the trend in stock market. Political circumstances in Pakistan are unpredictable since 1947. Sometimes it goes upward which indicates low investment risk while some times it goes down which shows negative indication to investors.

The reliable and predictable situation of a country, where the law and order are fully ensured, and citizens are not at risk is known as political stability. A country gains its political stability when there is in-order work of agencies and no threat for derailing the democracy and policies in the time of bad conditions. Countries with more political stability are more satisfactory and favorable for investor (H Manzoor, 2013).

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The research study that investigated the impact of stock in the response of political activities. It is important to consider the impact of political events on stock return in Pakistan. It might be because, in the 70 years, for the first time only two democratic government setups were able to complete their tenure democratically and made the history for the first time (Dawan News, 13 Nov 2017). Otherwise the political circumstances were imbalanced in previous years. Research studies concluded that all types of information influence stock return of return on investment (ROI).

The stock market reaction in the response of different events is deeply studied by researchers. (e.g. Schwert, 1989). (Taimur, Muhammad, and Khan, Shahwali, 2013) A study on catastrophic and political news suggests that political activities in the country do have impact on Pakistan Stock Exchange (PSX). They explored in their research study that for no longer than 5 days, political activities effect stock return in short run. In the last few years, Pakistan is facing serious political issues and big menace of terrorism.

Fama, (1965) "Efficient Market Hypothesis Theory" (EMF) describes that investor's decisions might be reflected any time and at any point to all publically available information. Further, the study discussed that weak form of Efficient Market Hypothesis showed that is there is no relation between historical prices and current prices and no one can get long-run benefits in return from analysis of previous market data. Semi-Efficient Market Hypothesis shows that investor's decisions are reflected in new publically available information and an investor can get benefits in return by using that information. The Hypothesis of Strong Efficient Market stated that stock prices are completely reflected in every type of information available to the investors in the market.

This research study contributes to the literature and observes the impact of most crucial political activities on the Pakistan Stock Exchange. Islamabad Sit-in (2014) and Lahore Riwand March were considerable ROI changer events for investors. Before the reshaping of PSX from KSE 100, few research studies were conducted to explore the impact of political events on KSE 100. But prior studies are different in the sense, that this study investigated the most recent and crucial political impact on Pakistan Stock Exchange.

Literature Review

Mahmood, Irfan, Iqbal, Kamran & Ali Ijaz, (2014) found in their research study that some political news in the market does have an impact on KSE 100 for short run. Because political activities are not much concern to stock market in Pakistan. They investigate in their study that stock returns are negatively related to political events. Mostly political events are likely to bring instability in the government and hence investors lose their interest in stock market which leads to a downturn in the returns.

The study observed that political events influence stock return in short run. However, it has the capability to recover and become normal in long-tern (Taimur, Muhammad and Khan, Shahwali, 2013). The study confirmed that KSE is positively related to good (Positive) political news and there is a positive impact of good news on KSE 100 that causes to decrease the stock market volatility. Similarly, the negative political activities are negatively related to KSE 100 that leads to increase the volatility of stock market. The study also explored that impact of negative political activities in stock market is almost double as compared to positive political activities. Most sectors are reflective of good and bad news (Suleman, 2012).

Political activities have a short-run impact on the stock exchange, followed by many research studies. The (K Najaf, R Najaf, Iqbal & IH Shah, 2015) study found that in short run, the stock market return is negatively related to political events. In long run, the political events impact is positive and insignificant. Supporting the same argument that political activities are positively related to KSE, (Murtaza, Hamza, and Ali, 2015) investigated in their study that all those political activities which might change the government policies can influence KSE positively. Their study further concluded different results for different nature of events.

Agrawal et al. (1999) research study investigated that different political events cause an increase in stock volatility in different countries. Supporting the above result, Mahmood et al, (2014) checked the results in their research study by using event study methodology that political activities have a significant impact on stocks return. With occurrence of political activity in the country, the stock volatility increase. The study argued that each result indicates negative return which is because of mostly events lead to destabilizing the government. And that's why investors are more reflected stock market reaction during the occurrence of political activity. Further, they explained that political events have a significant impact on KSE 100 for short run (not more than10-15 days). They explained that it is due to political events are less related to stock market.

The study differs from prior studies based on considered data. The events which are considered in this particular study are the most recent and important events. The behavior of these particular political activates with the stock market has not been analyzed before.

Hypothesis

H0: No association exist between political activities and stock market
H1: There is an association of political activities and stock market

Methodology

The research study used the event study methodology, owing to find any significant association of political activities in Pakistan and Pakistan stock exchange. The event study methodology is the widely used technique for finding abnormal returns of stock market. This technique shows the behavior of stock market before and after the occurrence of political activity. Brown & Warner (1985) eludes that event study methodology is an appropriate technique to check the short time impact of different political activities, in order to find the abnormal return of stocks after the happening of an event.

The study considered 10 most important political activities in Pakistan, in the duration of 2011 to 2017, to find any significant association of political events in Pakistan and stock market return. The data were taken from Yahoo finance and the website of the Pakistan Stock Exchange. Next to this, the study set the pre-event and a post-event window for each political activity.

S.No	Political Activates	Date of Event	Pre-Event window	Post-Event window
1	Disqualification of Prime Minister Yousaf Raza Gilani	19/06/2012	29/05/2012	10/06/2012
2	General Election	11/05/2013	19/04/2013	31/05/2013
3	CPEC Announcement	22/04/2014	1/04/2015	14/05/2015

4	PTI sit-in (Islamabad)	14/08/2014 to 17/12/2014	16/07/2014	15/01/2015
5	Dismissal of NA Speaker	21/8/2015	31/07/2015	11/09/2015
6	PANAMA Leaks allegations on PM	04/04/2016	04/03/2016	25/04/2016
7	PTI Islamabad lockdown	02/11/2016	12/10/2016	23/11/2016
8	PTI Riwand March	30/09/2016	09/09/2016	21/10/2016
9	JIT Formation	20/04/2017	01/04/2017	10/05/2017
10	Disqualification of PM	28/07/2017	08/07/2017	18/08/2017

Most research studies use CAPM in the Event Study Methodology. This particular research study used running moving average method instead of CAPM to find the actual, expected and abnormal return for the events. The expected and abnormal return is calculated through;

Daily Stocks Return (Rt) = Current Price – Previous Price / Previous Price

ER = Expected Return

AR =Abnormal return

AR = Rt – ER

After calculating ER and AR, we calculate t-statistics for the given values to analyze the significance of the events. T statistics helped us to determine the significance of the events.

Results and Discussion

To conclude, the relationship of political activities and PSX, the study run T-statistic test on abnormal return for each event. Hence, we can accept the null hypothesis or alternative hypothesis, based on t-test value.

Table 1. SD: 0.008914

Date	Return	ER	AR	T-value
19/06/2012	-0.001156157	0.001634	-0.00279	-0.31297
20/06/2012	-0.004883435	0.001448	-0.00633	-0.71033
21/06/2012	0.009529083	0.001458	0.008071	0.905443
22/06/2012	-0.006475736	0.001506	-0.00798	-0.89546
25/06/2012	0.001014689	0.001459	-0.00044	-0.04989
26/06/2012	0.010422913	0.001461	0.008962	1.0054
27/06/2012	0.000456432	0.001541	-0.00108	-0.12168
28/06/2012	-0.00029049	0.001516	-0.00181	-0.20271
29/06/2012	0.024443367	0.001458	0.022986	2.578664
02/07/2012	0.00408346	0.001707	0.002376	0.266604
03/07/2012	-0.001599107	0.001784	-0.00338	-0.37949
04/07/2012	-0.00050721	0.001689	-0.0022	-0.2464
05/07/2012	0.009779867	0.001713	0.008067	0.905034
06/07/2012	0.004835215	0.001908	0.002927	0.328384
09/07/2012	-0.000362383	0.001989	-0.00235	-0.26379
10/07/2012	0.000426355	0.002046	-0.00162	-0.18166

Table 1 (on the previous page) shows statistical results for the event of dismissal of Prime Minister Sayed Yousaf Raza Gillani. The standard deviation value for the previous window is 0.008914 which shows standard error for pre-event window. No significant value except a single day t value 2.578664 for the ninth post-event day which shows that market is revived. The overall t values demonstrate that there is almost no significant impact of the disqualification of Prime Minister Yousaf Raza Gillani on KSE 100. It may be because of investor predicted no change in government policies.

Table 2. SD = 0.007000176

Date	Return	ER	AR	T-test
13/05/2013	0.01128705	0.00173	0.009557289	1.365292535
14/05/2013	0.00448672	0.001768	0.002719045	0.388425215
15/05/2013	-0.0073245	0.001863	-0.009187346	-1.312444915
16/05/2013	0.00588129	0.001791	0.004090221	0.584302502
17/05/2013	0.01340303	0.001863	0.011539532	1.648463036
20/05/2013	0.01685801	0.001965	0.014893417	2.12757739
21/05/2013	0.01364889	0.00207	0.011578846	1.654079113
22/05/2013	-0.0054321	0.002114	-0.007546463	-1.078038991
23/05/2013	-0.0027626	0.002053	-0.00481523	-0.68787266
24/05/2013	-0.0153833	0.002031	-0.017414612	-2.487738976
27/05/2013	0.02557153	0.00192	0.023651439	3.378691785
28/05/2013	-0.0028224	0.002119	-0.004941868	-0.705963282
29/05/2013	0.00695029	0.002107	0.004842989	0.691838196
30/05/2013	0.01070597	0.002106	0.008600406	1.228598507
31/05/2013	0.01174391	0.002157	0.009587136	1.369556301

Table 2 shows T-statistics of General Election 2013. The standard error of pre-event is 0.007000176 which is calculated from the SD of the pre-event window. The "t-statistics for day 6th, 10th and 11th are 2.12757739, -2.487738976 and 3.378691785 respectively. It shows that PSX market moves upward on day 6th and 11th. While on the remaining days, PSX didn't show such a big response to the event.

Table 3. SD 0.010774

Date	Return	ER	AR	T test
22/04/2015	-0.00101	0.000794	-0.00181	-0.16767
23/04/2015	0.009471	0.000765	0.008707	0.80809
24/04/2015	0.002046	0.000772	0.001274	0.118235
27/04/2015	-0.00796	0.000691	-0.00865	-0.80294
28/04/2015	-0.00346	0.000615	-0.00407	-0.37807
29/04/2015	0.008035	0.000494	0.007542	0.699985
30/04/2015	-0.00019	0.000616	-0.00081	-0.07489

04/05/2015	-0.00565	0.000642	-0.00629	-0.58366
05/05/2015	0.009073	0.000492	0.008581	0.796402
06/05/2015	-0.00285	0.000488	-0.00334	-0.31012
07/05/2015	-0.00632	0.000532	-0.00685	-0.63597
08/05/2015	-0.03101	0.000621	-0.03163	-2.93613
11/05/2015	0.015793	0.000277	0.015515	1.440048
12/05/2015	-0.00329	0.000466	-0.00375	-0.34825
13/05/2015	0.005704	0.000463	0.005241	0.486459
14/05/2015	-0.00195	0.000448	-0.0024	-0.22273

Table 3 shows the statistical calculations for the event of the announcement of the China Pakistan Economic Corridor in 2015. By calculating standard deviation of pre-event window, the standard error was found 0.010774**.** It is observed that on 11th post-event day only t-statistics is significant. Apart from this, there is no significant t-value in post-event window. It shows that stock return didn't respond to the CPEC announcement. This may be the fact that only news of the project doesn't have any significant impact on PSX.

Table 4. SD = 0.008714

Date	Return	ER	AR	T-Test
17/12/2014	0.005214	0.000718	0.004496	0.5159
18/12/2014	0.005941	0.000776	0.005165	0.592756
19/12/2014	0.015375	0.000823	0.014552	1.669888
22/12/2014	0.008183	0.000941	0.007242	0.831111
23/12/2014	0.007831	0.000999	0.006832	0.784022
24/12/2014	-0.00144	0.00087	-0.00231	-0.26529
30/12/2014	0.005536	0.000738	0.004798	0.550568
31/12/2014	0.018511	0.000681	0.01783	2.046122
02/01/2015	0.003182	0.000689	0.002494	0.28615
07/01/2015	0.008537	0.000923	0.007614	0.873791
08/01/2015	0.006242	0.000806	0.005435	0.623745
09/01/2015	0.002798	0.000998	0.0018	0.206548
12/01/2015	-0.0014	0.00098	-0.00238	-0.27365
13/01/2015	0.006406	0.000887	0.005519	0.633365
14/01/2015	0.005341	0.000765	0.004576	0.525102
15/01/2015	0.000617	0.00077	-0.00015	-0.01756
16/01/2015	0.00672	0.000724	0.005996	0.688106

Table 4 describes the t-statistics for the event of Pakistan Tehreek-e Insaf Islamabad sit-in 2015. PTI sit-in was named Azadi March, which was arranged for the purpose of removal of PM due to investigation against rigging in the 2013 election. This 126 days' sit-in was the longest sit-in in the history of Pakistan. SD of this activity is 0.008714, which is calculated based on SD of the Pre-event window. Observing the above table, there is no significant t-value and no considerable relationship between PTI sit-in and PSX return.

Table 5. SD = 0.010519187

Date	Return	ER	AR	T-test
21/08/2015	-0.04199	0.000122	-0.04211	-4.00323
24/08/2015	0.020882	-0.0002	0.021077	2.003717
25/08/2015	-0.00776	-2.300005	-0.00774	-0.73587
26/08/2015	0.012559	-7.300005	0.012632	1.200849
27/08/2015	0.014214	4.650005	0.014168	1.346842
28/08/2015	0.008068	0.00019	0.007878	0.748899
31/08/2015	-0.00781	0.000354	-0.00816	-0.7761
01/09/2015	-0.00426	0.000297	-0.00456	-0.43355
02/09/2015	0.002549	0.000251	0.002298	0.218485
03/09/2015	-0.01483	0.000241	-0.01507	-1.43243
04/09/2015	-0.02833	0.000148	-0.02848	-2.70709
07/09/2015	0.01595	-0.00023	0.016184	1.538482
08/09/2015	0.010584	0.000218	0.010366	0.985466
09/09/2015	-0.00112	0.000309	-0.00143	-0.13616
10/09/2015	-0.00355	0.000289	-0.00384	-0.36471
11/09/2015	-0.00859	0.000177	-0.00877	-0.83339

Table 5 shows the t-tests values for the event of the dismissal of National Assembly Speaker. On 21st August 2015, Lahore High Court ordered for re-election in NA-124 due to miss happening in the General Election 2013. The standard error of this pre-event window is 0.010519187 which is calculated on finding SD of the Pre-event window. On the day when event occurred, "T-statistics" value of the said event is -4.00323. It means that it is negatively significant on the event day. But soon the PSX recovered itself. Except post-event day 12, there was no significant impact find in following days.

Table 6. SD = 0.007622

Date	Return	ER	AR	T test
04/04/2016	-0.00124	0.000246492	-0.00149	-0.19518
05/04/2016	0.005313	0.000185108	0.005128	0.672819
06/04/2016	-0.00148	0.000269866	-0.00175	-0.23012
07/04/2016	0.002107	0.000160167	0.001947	0.255486
08/04/2016	-0.01189	0.000136142	-0.01202	-1.57725
11/04/2016	0.001509	2.24503E-05	0.001486	0.195003
12/04/2016	0.000868	-5.20048E-05	0.00092	0.120752
13/04/2016	0.003604	-0.000122916	0.003727	0.489023
14/04/2016	-1.4E-05	-6.04137E-05	4.65E-05	0.006105
15/04/2016	-0.00021	-4.75427E-05	-0.00016	-0.02156
18/04/2016	-0.0009	-3.71076E-05	-0.00086	-0.11313
19/04/2016	-0.00326	-5.16211E-05	-0.00321	-0.42096
20/04/2016	-0.00142	-7.95794E-05	-0.00134	-0.17589
21/04/2016	0.004974	-7.76651E-05	0.005052	0.662826
22/04/2016	-0.00163	-4.67751E-05	-0.00158	-0.20784
25/04/2016	0.004833	-5.97789E-05	0.004892	0.641909

The table 6 (on previous page) shows the t-statistics of the market return after the event of Panama leaks. Panama papers revealed the world's most important personality's secrets news of holding assets outside the countries. These assets were hidden for the sake of inquiry and tax exemption by Prominent Politicians. Local studies concluded that unveiling of those hidden assets of such Political Personalities shocked different stock markets.

Table 7. SD = 0.007523

Date	Return	ER	AR	t-value
02/11/2016	0.005536	0.001462	0.004073	0.541435
03/11/2016	-0.00317	0.001431	-0.0046	-0.61178
04/11/2016	0.006954	0.001314	0.00564	0.74965
07/11/2016	-0.00047	0.001232	-0.0017	-0.22572
08/11/2016	0.002128	0.001222	0.000906	0.120487
09/11/2016	0.011786	0.001182	0.010604	1.409466
10/11/2016	0.003393	0.001267	0.002126	0.282565
11/11/2016	-0.00757	0.001293	-0.00886	-1.1782
14/11/2016	-0.0055	0.001281	-0.00678	-0.90133
15/11/2016	0.00264	0.001222	0.001417	0.188404
16/11/2016	0.000173	0.001242	-0.00107	-0.14214
17/11/2016	-0.00205	0.001241	-0.00329	-0.43746
18/11/2016	0.002692	0.001186	0.001506	0.200125
21/11/2016	0.004527	0.001129	0.003397	0.451537
22/11/2016	0.0063	0.001163	0.005138	0.682874
23/11/2016	0.001135	0.001205	-7.1E-05	-0.00937

On 1st November 2016, the opposition party Pakistan Tehreek-e-Insaf had tried to lock down Islamabad in the protest owing to put pressure on the government of Pakistan for investigation against the Panama case. The Supreme Court of Pakistan offered to form a commission and to begin Panama case investigation. In Table 7, the statistical calculations for the event showed that there is no significant t-test value which means that there is no impact of Islamabad "Lockdown" on PSX. Moreover, the standard deviation for the event is calculated on same method.

Table 8. SD = 0.006718833

Date	Return	ER	AR	T-test
30/09/2016	0.010904	0.001514	0.00939	1.397594
03/10/2016	0.003353	0.001516	0.001837	0.273424
04/10/2016	0.003144	0.001552	0.001592	0.236906
05/10/2016	-3.1E-05	0.001535	-0.00157	-0.23312
06/10/2016	-0.00125	0.001547	-0.0028	-0.41679
07/10/2016	0.004927	0.00152	0.003407	0.50705
10/10/2016	0	0.001652	-0.00165	-0.24594
11/10/2016	0	0.001641	-0.00164	-0.24417
12/10/2016	0.000195	0.001634	-0.00144	-0.21414
13/10/2016	0.001261	0.001607	-0.00035	-0.05142

14/10/2016	-0.00439	0.001617	-0.00601	-0.8939
17/10/2016	-0.00799	0.001584	-0.00957	-1.42482
18/10/2016	-0.00073	0.001528	-0.00226	-0.3368
19/10/2016	0.01508	0.001548	0.013532	2.014016
20/10/2016	-0.00615	0.001678	-0.00782	-1.16435
21/10/2016	-0.0107	0.00159	-0.01229	-1.82902

On 30th September 2016, PTI registered a protest against PM over the Panama case in Riwand Lahore. PTI argued that PM should leave the office until the Supreme Court of Pakistan declares the decision of the Panama case. Table 8 describes all the statistics results for the event. The standard deviation for the event was calculated on the same methodology. All values of "t-test" of this activity are insignificant which means that there is no impact of the event on PSX. Only on day 14, the "t-statistics" value for the event is 2.014016, which declares that market restored form the effect of the news.

Table 9. SD: 0.006831

Date	Return	ER	AR	t-test
20/04/2017	0.019606	0.001292	0.018314	2.68101
21/04/2017	0.008075	0.001409	0.006666	0.975812
24/04/2017	-0.00654	0.001503	-0.00804	-1.17697
25/04/2017	0.00085	0.001391	-0.00054	-0.07913
26/04/2017	-0.00696	0.001402	-0.00837	-1.22472
27/04/2017	-0.00366	0.001326	-0.00499	-0.72997
28/04/2017	-0.01248	0.001197	-0.01368	-2.0023
02/05/2017	-0.00173	0.001065	-0.0028	-0.4095
03/05/2017	0.013863	0.001113	0.012749	1.866425
04/05/2017	0.011449	0.001275	0.010174	1.489419
05/05/2017	0.021527	0.001348	0.020179	2.954032
08/05/2017	0.002691	0.001526	0.001164	0.170456
09/05/2017	0.000595	0.001566	-0.00097	-0.14212
10/05/2017	0.006291	0.001548	0.004742	0.694239
11/05/2017	0.006298	0.001563	0.004735	0.69317
12/05/2017	0.012233	0.001563	0.01067	1.562039

On 4th April 2017, the Supreme Court of Pakistan ordered to form a Joint investigation team for Panama case against PM Nawaz Sharif. The Joint Investigation Team was consisting of 6 members from different departments of Pakistan, including military forces. Table 9 shows the statistical calculations for the event. The standard deviation for the event, which is calculated on basis on pre-event window, is 0.006831. On the 1st and 11th day of JIT announcement, "t-statistics" values for the event were 2.68101 and 2.954032 which are significant. It shows that investor confidence in JIT and Supreme Court decisions were increased.

Table 10. SD: 0.012322

Date	Return	ER	AR	t-test
28/07/2017	0.002141	-0.00065	0.002796	0.226928
31/07/2017	0.011302	-0.00062	0.011921	0.967439
01/08/2017	0.008892	-0.00054	0.009429	0.765171
02/08/2017	0.002878	-0.0005	0.003379	0.274213
03/08/2017	-0.00441	-0.00048	-0.00393	-0.31858
04/08/2017	-0.00882	-0.00052	-0.0083	-0.67353
07/08/2017	-0.01051	-0.0006	-0.00992	-0.80465
08/08/2017	0.000416	-0.00069	0.001108	0.089944
09/08/2017	-0.00796	-0.00066	-0.00731	-0.59289
10/08/2017	-0.0076	-0.00063	-0.00697	-0.56574
11/08/2017	-0.03115	-0.00076	-0.0304	-2.46669
15/08/2017	0.006528	-0.00098	0.007508	0.609272
16/08/2017	-0.02407	-0.00085	-0.02322	-1.88447
17/08/2017	-0.00134	-0.00106	-0.00027	-0.02218
18/08/2017	-0.02171	-0.00107	-0.02064	-1.67471
21/08/2017	-0.00405	-0.00126	-0.00278	-0.22573

On 28th July 2017, the Supreme Court announced the decision of Panama case and disqualified Prime Minister over hiding illegal assets and uncollected income for tax evasion. Table 10 demonstrates the statistical results for the event. The SD for the event is 0.012322 which was calculated on the same methodology. Although, event was a shock for the market the event didn't show any impact on PSX. Only on day 11, the "t-statistics" value for the event was -2.46669 which is significant. It may be because of different views on appointing new Finance Minister.

Conclusion

In every country, stability in the political system plays a vital role in the financial markets of the country. It increases investor confidence. While on the other hand political instability creates uncertainty in the country which reflects the investment graph. Mostly investor believes that political instability cause changes in the country policies. The aim of the study is to find the association of political variation with stock market. This research study considered 10 major political activities in Pakistan, in order to test the significant relationship between political variation and behavior of PSX.

The result of this research study demonstrates that some political activities are significantly related to the stock market, while some activities don't have the potential to significantly fluctuate the graph of stock market return. It depends on the intensity of political activity. Investor responds positively when government organization looks confident for implementing rule of law. Three out of ten events were significant which affect the performance of PSX 100. It means that political events which cause movement in government organization for implementing rule of law against the ruling government do have impact on PSX 100. Further, the study found that small political events are not statistically significant and not able to influence volatility in returns.

The study is applicable for investors to make the decision for their investment in the consideration of political events. By taking international political events, the study could be extended.

Recommendations

The political situation of Pakistan is the most important factor to be considered. Political stability in a country not only important for the social development of a country but should also be considered to boost the economic growth of a country. Greater political stability and strong rule of law and order are vital factors for economic growth. The deadly wave of terrorism already hit the economy for Pakistan. Political instability could increase terrorist acts in the country. To control terrorism and improve economic and social development in the country, government of Pakistan should make short and long term free-Political strategies.

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