

“Cross-market reactions to political information: Evidence from Indonesian stock and currency markets”

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CROSS-MARKET REACTIONS TO POLITICAL INFORMATION: EVIDENCE FROM INDONESIAN STOCK AND CURRENCY MARKETS

Abstract

Political information released during presidential elections may affect financial markets differently depending on both the type of market and the credibility of the information. This study examines cross-market reactions to candidate declarations and independent quick count announcements across Indonesia's five direct presidential election cycles conducted between 2004 and 2024. A cross-market event study framework is employed to estimate abnormal returns for the LQ45 Index and the IDR/USD exchange rate using a 150-trading-day estimation window, with robustness assessed through alternative event windows and complementary non-parametric tests.

The results indicate that candidate declarations are not associated with statistically significant abnormal returns in either market. By contrast, independent quick count announcements are associated with a statistically significant positive abnormal return in the stock market on the announcement day, whereas the foreign exchange market exhibits comparatively weaker and less robust responses. Although exchange rate movements are directionally consistent with Rupiah appreciation following quick count announcements, the evidence is not consistently statistically significant across alternative inference procedures.

Overall, the findings suggest that political information is incorporated differently across financial markets and that the informational credibility of political announcements contributes to differences in short-term market reactions. The study contributes to the political finance literature by providing cross-market evidence from an emerging democratic economy while recognizing that the findings are based on five presidential election cycles and should therefore be interpreted with appropriate caution.

Keywords

political information, cross-market reactions, stock market, foreign exchange market, event study, emerging markets

JEL Classification

G14, F31, D72

INTRODUCTION

Financial markets continuously incorporate information from a wide range of economic, corporate, and political sources as investors revise expectations regarding future cash flows, macroeconomic conditions, and investment risk. Among these information sources, political announcements constitute an important category of public information because they may alter expectations regarding future government policies, fiscal priorities, regulatory environments, and overall economic stability (Brogaard & Detzel, 2015). Related empirical evidence links economic policy uncertainty to lower stock returns in the United States (Arouri et al., 2016) and greater stock price volatility in policy-sensitive sectors (Baker et al., 2016). Presidential elections are particularly relevant because political transitions may be accompanied by changes in policy expectations and investor sentiment (Wisniewski, 2016). As new political information becomes publicly available, inves-

tors reassess asset valuations and adjust portfolio allocations, potentially resulting in observable price movements across financial markets (Pantzalis et al., 2000; Goodell & Vähämaa, 2013; Bernhard & Leblang, 2006).

Although political information is released simultaneously to all market participants, its incorporation into asset prices is not necessarily uniform across financial markets. Equity and foreign exchange markets differ substantially in their pricing mechanisms, investor composition, liquidity conditions, and exposure to domestic and international risk factors. Stock prices primarily reflect expectations regarding future corporate earnings and domestic economic activity, whereas exchange rates respond to a broader set of influences, including monetary policy, international capital flows, global financial conditions, and central bank interventions (Dornbusch, 1976; Branson & Henderson, 1985; Nguyen et al., 2024). Consequently, identical political announcements may generate heterogeneous market reactions because each market processes new information within a distinct institutional and market environment (Bernhard & Leblang, 2006). Examining political information from a cross-market perspective, therefore, provides a more comprehensive understanding of how public information is incorporated into different segments of the financial system than analyses focusing on a single asset class.

Despite the growing literature on political events and financial markets, several important issues remain unresolved. Existing election-related studies include analyses focusing on stock markets or foreign exchange markets separately, using either individual election episodes or samples spanning multiple elections (Bernhard & Leblang, 2002; Li & Born, 2006; Białkowski et al., 2008; Chen, 2022; Diaconășu et al., 2023). However, these studies do not directly establish whether stock and foreign exchange markets respond consistently to the same political announcements across repeated Indonesian presidential election cycles, or whether variations in market reactions are associated with differences in the informational characteristics of those announcements. This issue is particularly relevant because electoral processes unfold through successive public announcements that may gradually reduce political uncertainty rather than through a single information release. Previous research in Indonesia has examined investor reactions to several stages of the electoral process, including quick count announcements, within the stock market (Nasution et al., 2023). A broader cross-market perspective is therefore needed to evaluate whether financial markets respond differently to political information released at different stages of the electoral process, particularly in emerging economies where institutional quality may influence the relationship between political uncertainty and stock market development (Kwabi et al., 2024).

Indonesia provides a particularly suitable setting for examining these issues because its direct presidential elections generate successive stages of electoral information within a stable democratic framework. Rather than treating presidential elections as single political events, this study distinguishes between two stages of the electoral information process: candidate declarations and independent quick count announcements. Candidate declarations provide the first formal indication of electoral competition and enable investors to form preliminary expectations regarding potential policy directions, although considerable uncertainty surrounding the eventual election outcome remains. Independent quick count announcements, by contrast, provide more credible and informative signals by offering statistically based estimates of election results immediately after voting, thereby substantially reducing uncertainty before official certification by the General Election Commission (KPU). These two announcements, therefore, represent successive stages of electoral information characterized by different levels of informational credibility, providing an appropriate setting for evaluating whether financial markets respond differently as political information becomes progressively more informative.

The Indonesian presidential elections also provide a distinctive empirical setting because only five direct presidential election cycles have been conducted since the introduction of the current electoral system in 2004. Although this necessarily limits the number of independent political events available for statistical analysis, these five elections constitute the complete population of presidential elections

under Indonesia's contemporary democratic framework. Accordingly, the objective of this study is not to generalize beyond a broader population of elections but to examine whether similar patterns of market reactions are observed across the complete history of Indonesia's direct presidential elections. This longitudinal perspective makes it possible to compare stock and foreign exchange market responses across repeated electoral cycles while explicitly acknowledging the limitations associated with a small number of independent political events.

Accordingly, this study investigates how Indonesia's stock and foreign exchange markets respond to political information released during presidential elections by comparing abnormal returns surrounding candidate declarations and independent quick count announcements across the five presidential election cycles conducted between 2004 and 2024. This study contributes to the political finance literature in three respects. First, it adopts a cross-market perspective by comparing the responses of equity and foreign exchange markets to identical political information rather than examining each market in isolation. Second, it distinguishes political announcements according to their informational credibility, allowing the analysis to evaluate whether different stages of the electoral process are associated with different patterns of market reactions. Third, it provides evidence from the complete history of Indonesia's direct presidential elections while explicitly recognizing the limited number of independent electoral events and interpreting the empirical findings with appropriate caution. Accordingly, the study focuses on how political information is reflected in short-term market reactions across two major financial markets within the institutional context of Indonesia's contemporary democratic framework, rather than drawing broader conclusions regarding market efficiency or institutional evolution.

1. LITERATURE REVIEW AND HYPOTHESES

Financial markets continuously incorporate newly available information into asset prices as investors revise expectations regarding future economic conditions, corporate performance, and investment risk. Within asset pricing theory, any publicly available information capable of altering expectations regarding future cash flows or required rates of return may influence security prices through investors' portfolio adjustment decisions (Fama, 1970; Pástor & Veronesi, 2012). Consequently, the economic relevance of information depends not only on its availability but also on its ability to modify investors' expectations regarding future outcomes (Bernhard & Leblang, 2006).

Political announcements represent an important category of public information because they may alter expectations regarding future government policies, fiscal priorities, regulatory frameworks, and macroeconomic conditions. Unlike firm-specific information, which primarily affects individual securities, political information may influence broader segments of financial markets by shaping investors' perceptions of the future economic environment (Boutchkova et al., 2012).

Evidence from OECD economies links political cycles to differences in macroeconomic outcomes, although support varies across competing political-cycle hypotheses (Alesina & Roubini, 1992). Uncertainty may also affect the real economy by encouraging firms to postpone investment, with election-related investment reductions documented across countries (Bloom, 2009; Julio & Yook, 2012). Consequently, presidential elections provide a particularly suitable setting for examining how political information is incorporated into asset prices (Pástor & Veronesi, 2013; Goodell & Vähämaa, 2013). Evidence from equity option markets further indicates that protection against risks associated with political events is reflected in option prices (Kelly et al., 2016). Over longer horizons, stock returns have also been found to differ across U.S. presidential administrations, with these differences not concentrated around election dates (Santa-Clara & Valkanov, 2003).

The relationship between political information and financial markets is also consistent with the Efficient Market Hypothesis (EMH), which proposes that security prices adjust as publicly available information becomes incorporated into market valuations (Fama, 1970). From this perspective, election-related announcements are economical-

ly relevant not because they constitute political events per se, but because they introduce new information that may lead investors to revise expectations regarding future economic and policy conditions. Accordingly, market reactions surrounding presidential elections can be interpreted as responses to changes in the informational environment rather than to the political process itself (Fama, 1970).

However, under major macro-political events, the incorporation of information into market prices may not always be instantaneous. Investor behavior is often influenced by psychological biases and cognitive responses that may temporarily delay or amplify price adjustments (Kahneman & Tversky, 1979; De Bondt & Thaler, 1985). Evidence from Indonesia also indicates that stock return patterns need not conform to weak-form market efficiency in all periods (Budiarso & Pontoh, 2022). Political uncertainty may further affect the information environment: Wadhwa and Goodell (2024) associate state elections in India with increased stock price crash risk through a managerial bad-news-hoarding channel. These findings suggest that information processing may be affected by both investor behaviour and the conditions under which information is disclosed, without establishing that every political announcement produces informational inefficiency.

Nevertheless, not all political announcements convey the same informational value. Electoral processes typically consist of successive public announcements that differ in their timing, content, and reliability, implying that investors may respond differently as political information becomes progressively more informative. Understanding financial market reactions therefore requires consideration not only of whether political information is released but also of how its informational characteristics influence investors' expectation formation and subsequent asset pricing (Bernhard & Leblang, 2006; Li & Born, 2006). Evidence from British markets links opinion polls to stock prices, while research on American and British markets identifies a role for expectations of electoral victory in stock market behavior (Gemmill, 1992; Leblang & Mukherjee, 2005). Accordingly, elections may be viewed not simply as political events but also as sequential information events through

which financial markets continuously update expectations as new information becomes available.

Although political announcements constitute publicly available information, they do not necessarily provide the same degree of certainty to market participants. Investors evaluate political information not only according to its availability but also according to its perceived credibility, reliability, and ability to reduce uncertainty regarding future political and economic outcomes. Consequently, announcements released during the same electoral process may generate different market responses because they differ in the amount of uncertainty-reducing information they convey.

From the perspective of signaling theory, market participants continuously evaluate the credibility of publicly available signals before incorporating them into investment decisions. Signals perceived as more credible are expected to induce stronger revisions of investor expectations because they reduce information asymmetry and provide more reliable guidance regarding future outcomes (Spence, 1973; Connelly et al., 2011). By contrast, announcements characterized by greater ambiguity or lower informational precision are expected to generate more limited market responses because investors remain uncertain about their implications for future policy and economic conditions. Accordingly, market reactions depend not only on the arrival of new information but also on the credibility that investors attribute to that information.

This perspective is particularly relevant in presidential elections because political information becomes available sequentially throughout the electoral process. Candidate declarations represent the first formal disclosure of electoral competition, enabling investors to identify potential candidates and form preliminary expectations regarding possible policy directions. At this stage, however, considerable uncertainty surrounding the eventual election outcome remains, and subsequent political developments may substantially alter investors' assessments. Consequently, candidate declarations provide useful but preliminary political information, encouraging cautious revisions of market expectations rather than immediate and substantial price adjustments.

Independent quick count announcements provide a different informational setting. Produced by survey institutions using statistical sampling procedures, quick counts offer early estimates of election outcomes shortly after voting concludes. Although they do not constitute official election results, they may reduce uncertainty regarding the likely electoral outcome before formal certification by the General Election Commission (KPU). Previous research in Indonesia has included quick count announcements among the electoral events examined for stock market reactions (Nasution et al., 2023). In the present study, investors are therefore expected to assign greater informational weight to credible independent quick count announcements because these estimates provide more direct information about the likely electoral outcome than candidate declarations.

Accordingly, this study argues that political announcements should not be viewed as homogeneous information events. Instead, they represent successive stages of the electoral information process characterized by different levels of informational credibility. This distinction provides a theoretical basis for expecting differences in market reactions between candidate declarations and independent quick count announcements without assuming that one announcement is inherently more important than the other. Rather, differences in market responses are expected to reflect differences in the credibility of the information available to investors at each stage of the electoral process.

Although political information becomes publicly available simultaneously, financial markets do not necessarily process that information in the same way. Differences in market structure, pricing mechanisms, investor composition, and dominant risk factors may cause identical political announcements to generate heterogeneous responses across asset classes. Consequently, understanding the financial consequences of political events requires consideration not only of the information released but also of the characteristics of the markets that process it.

From an asset-pricing perspective, equity and foreign exchange markets respond to different sets of underlying economic expectations. Stock prices

primarily reflect expectations regarding future corporate earnings, domestic economic activity, and investors' required rates of return. Political announcements that alter expectations regarding future government policies or macroeconomic prospects may therefore be incorporated into equity valuations (Pástor & Veronesi, 2012, 2013). By contrast, exchange rates are influenced by a broader combination of domestic and international factors, including monetary policy, capital flows, global financial conditions, and central bank interventions (Branson & Henderson, 1985; Dornbusch, 1976; Nguyen et al., 2024). Political uncertainty may also affect cross-border investment, with evidence indicating reductions in foreign direct investment flows around elections in recipient countries (Julio & Yook, 2016). Exchange rate expectations may also be affected by uncertainty regarding the future stance of economic policy (Beckmann & Czudaj, 2017). Consequently, political uncertainty represents only one component of a considerably broader macroeconomic information set, implying that identical political announcements need not generate responses comparable to those observed in equity markets.

Differences in market microstructure further contribute to heterogeneous information processing across financial markets. Trading mechanisms and the interaction between informed and less-informed participants influence how information is incorporated into prices (Kyle, 1985). In addition, portfolio reallocation and information transmission may connect responses across asset markets (Kodres & Pritsker, 2002), while the composition and direction of international capital flows influence exchange rate adjustments (Nguyen et al., 2024). Consequently, identical political information may differ in both the speed and the magnitude with which it is incorporated into asset prices across financial markets.

Empirical research also indicates that political processes affect currency, stock, and bond markets, while market responses depend on the political and economic context (Bernhard & Leblang, 2006). Evidence from the MENA region shows that conventional and Islamic stock indices exhibited different volatility responses to political unrest, illustrating that political uncertainty can affect market segments differently (Chau et al.,

2014). Related evidence identifies the relevance of political risk for international investment pricing (Bekaert et al., 2014), institutional quality for the relationship between political uncertainty and stock market development (Kwabi et al., 2024), and capital flow composition for exchange rate dynamics (Nguyen et al., 2024). Taken together, these findings provide a basis for expecting market-specific responses, rather than establishing that identical political announcements necessarily produce contemporaneous adjustments across markets. Consequently, differences in the responses of stock and foreign exchange markets need not constitute contradictory evidence but may reflect differences in how financial markets incorporate the same publicly available political information.

Building on this perspective, the present study adopts a cross-market framework in which market reactions are expected to vary according to both the informational credibility of political announcements and the characteristics of the financial markets processing that information. The theoretical expectation is therefore not that all markets respond identically to political events, but that market reactions differ according to both the credibility of the information released and the mechanisms through which individual financial markets incorporate new information into asset prices.

Taken together, the preceding discussion suggests that political information is incorporated into financial markets through two complementary dimensions. First, political announcements released during presidential elections differ in their informational credibility, implying that investors may revise expectations to different degrees as electoral information becomes progressively more informative. Second, stock and foreign exchange markets process identical political information under different pricing mechanisms, informational environments, and sources of systematic risk.

Accordingly, market reactions are expected to differ according to both the credibility of political information and the characteristics of the markets in which that information is incorporated. Based on these theoretical arguments, the following hypotheses are proposed:

H1: Political information generates heterogeneous abnormal market reactions across the stock and foreign exchange markets.

H2: Independent quick count announcements are expected to generate stronger abnormal market reactions than candidate declarations in both the stock and foreign exchange markets.

2. METHODS

This study employs a cross-market event study design to examine how political information released during presidential elections is incorporated into Indonesia's stock and foreign exchange markets. Consistent with the theoretical framework, the analysis considers two complementary dimensions of political information processing: differences in the informational credibility of political announcements and differences in the way financial markets incorporate those announcements. Accordingly, the study compares market reactions across two financial markets and successive stages of the electoral process rather than focusing on a single market or political event.

The event study methodology is appropriate because it identifies abnormal market reactions associated with publicly available political announcements while controlling for normal market movements (Brown & Warner, 1980, 1985; Campbell et al., 1997; MacKinlay, 1997). Abnormal returns therefore capture short-term market adjustments following the release of new political information, allowing the analysis to focus on immediate market responses rather than longer-term political or macroeconomic developments.

The study covers all five direct presidential elections held in Indonesia between 2004 and 2024, representing the complete population of presidential elections under the current democratic electoral system. Accordingly, the objective is not to generalize beyond a broader population of elections but to evaluate the consistency of cross-market reactions across repeated electoral cycles. Given the limited number of independent political events, the empirical findings are interpreted with appropriate caution.

Political information is represented by two key stages of the presidential election process: candidate declarations and independent quick count announcements. These events were selected because they represent successive public releases of electoral information through which investors progressively revise expectations as new political information becomes available.

Candidate declarations represent the earliest stage of formal political information by identifying presidential candidates and the structure of electoral competition. At this stage, investors receive preliminary information regarding potential policy directions and begin forming expectations about the possible election outcome. Accordingly, candidate declarations represent the initial stage of electoral information processing.

Independent quick count announcements represent a later stage of the electoral process by providing statistically based estimates of election outcomes shortly after voting concludes. In Indonesia, quick counts are conducted by established survey institutions using representative sampling procedures and have consistently demonstrated high predictive accuracy. Although they do not constitute official election results, they provide timely and credible estimates before certification by the General Election Commission (KPU), enabling investors to revise expectations on the basis of more informative political signals.

The distinction between these two events is based on differences in the informational credibility of political announcements rather than on differences in the electoral process itself. This classification enables the study to examine whether financial markets respond differently as electoral information becomes progressively more informative within a consistent cross-market framework.

The empirical analysis covers all five direct presidential elections held in Indonesia between 2004 and 2024. Daily closing prices of the LQ45 Index and the IDR/USD exchange rate are used to represent the stock and foreign exchange markets, respectively. The LQ45 Index serves as a proxy for the Indonesian equity market because it comprises the most liquid and actively traded stocks listed on the Indonesia Stock Exchange, whereas the

IDR/USD exchange rate represents the principal indicator of currency movements during politically significant events.

Daily market data were obtained from Refinitiv Eikon and Bloomberg Terminal and cross-validated against publicly available historical data from Yahoo Finance and the Indonesia Stock Exchange (IDX). The latter has previously been documented as responsive to major macroeconomic and structural shocks (Arman & Suade, 2022).

Event dates were identified from the official election schedule published by the General Election Commission (KPU) and verified using publicly available election records. Candidate declarations and independent quick count announcements were classified according to the event definitions described in Section 3.2. Consistent with the research objective, the analysis focuses exclusively on publicly available political announcements considered relevant to financial markets.

The empirical analysis follows the conventional event study framework developed by Campbell et al. (1997) and MacKinlay (1997), which evaluates abnormal market reactions by comparing observed returns with expected returns under normal market conditions. The primary event window spans eleven trading days (T-5 to T+5), while additional robustness analyses are conducted over the T-3 to T+3 and T-1 to T+1 windows. Expected returns are estimated over a 150-trading-day estimation window (T-160 to T-11), separated from the event window by a five-trading-day buffer period (T-10 to T-6) to minimize potential information leakage.

Daily logarithmic returns for both financial markets are calculated as follows:

$$R_{i,t} = \ln \left(\frac{P_{i,t}}{P_{i,t-1}} \right), \quad (1)$$

where $P_{i,t}$ denotes the closing price of the financial asset (i) on trading day (t), with (i) representing either the LQ45 Index or the IDR/USD exchange rate.

Expected stock returns are estimated using the market model:

$$E(R_{i,t}) = \alpha_i + \beta_i R_{m,t}, \quad (2)$$

where $R_{m,t}$ denotes the return on the Jakarta Composite Index (JCI). The market model was selected because it controls for general market movements and has been widely adopted in event study research (Brown & Warner, 1985). As a robustness check, expected returns were also estimated using the Capital Asset Pricing Model (CAPM) (Sharpe, 1964), and the principal findings remained qualitatively unchanged across the two return specifications.

Abnormal returns are obtained as the difference between observed and expected returns:

$$AR_{i,t} = R_{i,t} - E(R_{i,t}). \quad (3)$$

The same event study framework is applied to the foreign exchange market by comparing observed exchange rate returns with expected returns estimated over the corresponding estimation window.

To facilitate comparisons across presidential election cycles, abnormal returns are aggregated into Average Abnormal Returns (AAR):

$$AAR_t = \frac{1}{N} \sum_{i=1}^N AR_{i,t}, \quad (4)$$

where ($N = 5$) represents the number of presidential election cycles (2004, 2009, 2014, 2019, and 2024).

The cumulative effect of political information is measured using Cumulative Average Abnormal Returns (CAAR):

$$CAAR(t_1, t_2) = \sum_{t=t_1}^{t_2} AAR_t, \quad (5)$$

where (t_1) and (t_2) define the beginning and end of the event window.

The statistical analysis evaluates whether abnormal market reactions associated with political announcements differ systematically from normal market movements. Following the conventional event study literature, statistical significance is initially assessed using one-sample t-tests applied to AAR and CAAR across the five presidential election cycles.

The AAR and CAAR measures provide a common framework for evaluating the consistency of cross-market reactions across Indonesia's five presidential election cycles.

The statistical significance of AAR and CAAR is initially assessed using one-sample t-tests under the null hypothesis that the average abnormal return is equal to zero. The corresponding t-statistics are calculated as follows:

$$t_{AAR_t} = \frac{AAR_t}{SE(AAR_t)}, \quad (6)$$

$$t_{CAAR_{t_1,t_2}} = \frac{CAAR_{t_1,t_2}}{SE(CAAR_{t_1,t_2})}, \quad (7)$$

where $SE(AAR_t)$ and $SE(CAAR(t_1, t_2))$ denote the estimated standard errors of the average abnormal return and cumulative average abnormal return, respectively.

Because the analysis is based on only five independent presidential election cycles, the results of the parametric t-tests are interpreted with appropriate caution. Although these elections represent the complete population of Indonesia's direct presidential elections under the current electoral system, the limited number of independent political events inevitably constrains the statistical power of conventional parametric tests. Event study inference may also be affected by event-induced changes in return variance (Boehmer et al., 1991). Methodological research further shows that cross-sectional correlation among abnormal returns can affect inference when multiple securities share an event date (Kolari & Pynnönen, 2010). This issue differs from the present design, which aggregates index and exchange rate responses across separate election cycles. Accordingly, the parametric results are complemented by two non-parametric procedures, namely the Corrado (1989) rank test and the Wilcoxon signed-rank test. Rank-based procedures provide complementary evidence when abnormal returns depart from normality, although their applicability depends on the test and the return measure examined (Corrado, 1989; Kolari & Pynnönen, 2011). These procedures do not eliminate the

limitations associated with the small number of independent events. Consequently, the empirical findings are interpreted by considering the overall consistency of evidence across alternative statistical procedures rather than relying on a single significance test.

Several additional robustness analyses are also conducted. First, alternative event windows (T-3 to T+3 and T-1 to T+1) are examined to evaluate the stability of the findings over narrower observation periods. Second, the event dates are screened for major macroeconomic announcements, monetary policy decisions, and extraordinary political events to reduce the possibility that abnormal market reactions are influenced by confounding events. Although such influences cannot be eliminated entirely in observational event studies, this procedure increases confidence that the documented market reactions primarily reflect the political announcements examined.

To enhance transparency and reproducibility, the complete dataset, event definitions, estimation outputs, and robustness analyses have been archived in the Zenodo repository and are publicly available at <https://doi.org/10.5281/zenodo.20303964>. These materials facilitate independent verification and support future research on political information and financial market reactions.

3. RESULTS

This section presents the empirical findings on how Indonesia's stock and foreign exchange markets responded to political information released during presidential elections. Consistent with the research design, the analysis compares market reactions across two stages of political information, namely candidate declarations and independent quick count announcements, as well as across the two financial markets. The results are presented sequentially for daily abnormal returns, cumulative abnormal returns, and robustness analyses.

Table 1 reports the daily abnormal returns of the stock market surrounding the two stages of political information. Following candidate declarations, abnormal returns fluctuate around zero throughout the event window, and none of the daily estimates reach the conventional 5% significance level. These results indicate that candidate declarations are not associated with statistically significant daily abnormal returns in the stock market during the observation period.

A different pattern emerges for independent quick count announcements. Because comparable observations are available only for the validated event window (T-1, T0, T+1), the analysis is restricted to these three trading days. On the announcement day (T0), the stock market records a positive average abnormal return (AAR = 0.0110) that is statis-

Table 1. Average stock market abnormal reactions across electoral information phases

Relative Day	Candidate Declaration AAR	SD	SE	t-statistic	p-value	Quick Count Announcement AAR	SD	SE	t-statistic	p-value
T-5	-0.0068	0.0097	0.0043	-1.5687	0.1918	-	-	-	-	-
T-4	-0.0058	0.0107	0.0048	-1.2199	0.2895	-	-	-	-	-
T-3	0.0001	0.0130	0.0058	0.0081	0.9939	-	-	-	-	-
T-2	-0.0048	0.0067	0.0030	-1.5900	0.1870	-	-	-	-	-
T-1	-0.0039	0.0090	0.0040	-0.9661	0.3887	-0.0020	0.0045	0.0020	-0.9884	0.3789
T0	-0.0089	0.0085	0.0038	-2.3298	0.0803	0.0110	0.0076	0.0034	3.2351	0.0318*
T+1	-0.0006	0.0143	0.0064	-0.0971	0.9273	-0.0042	0.0102	0.0046	-0.9288	0.4056
T+2	0.0015	0.0085	0.0038	0.4035	0.7072	-	-	-	-	-
T+3	0.0006	0.0070	0.0031	0.1899	0.8586	-	-	-	-	-
T+4	-0.0011	0.0209	0.0094	-0.1127	0.9157	-	-	-	-	-
T+5	-0.0049	0.0152	0.0068	-0.7181	0.5124	-	-	-	-	-

Note: AAR denotes Average Abnormal Return calculated across the five presidential election cycles (2004, 2009, 2014, 2019, and 2024). Standard errors are computed using the cross-election standard deviation divided by $\sqrt{5}$. The Quick Count event is available only for the validated event window (T-1, T0, T+1); therefore, observations outside this window are not reported. *** indicates statistical significance at the 5% level ($p < 0.05$).

tically significant ($t = 3.2351$, $p = 0.0318$), whereas abnormal returns on both the preceding day (T-1) and the following day (T+1) remain statistically insignificant.

Overall, the daily results suggest that stock market reactions differ across the two stages of political information. While candidate declarations are not associated with statistically significant abnormal returns, independent quick count announcements coincide with a significant positive abnormal return on the announcement day, with no comparable evidence of abnormal returns immediately before or after the event.

Table 2 summarizes cumulative stock market reactions across alternative event windows. Consistent with the daily abnormal return results reported in Table 1, cumulative stock market reactions following candidate declarations remain limited throughout the event windows.

For candidate declarations, all estimated Cumulative Average Abnormal Returns (CAAR) are negative across the three event windows, namely (T-1, T+1), (T-3, T+3), and (T-5, T+5). However, none of the estimated CAAR values is statistically significant, and all confidence intervals include zero. These findings indicate that cumulative stock market performance surrounding candidate declarations does not differ significantly from normal market movements.

For independent quick count announcements, the cumulative analysis is limited to the validated event window (T-1, T0, T+1). Although the estimated CAAR is positive (0.0047), it is not

statistically significant ($t = 0.7736$, $p = 0.4824$). Accordingly, the positive abnormal return observed on the announcement day is not accompanied by a statistically significant cumulative market adjustment over the corresponding three-day event window.

Overall, the cumulative evidence is consistent with the daily abnormal return results. Candidate declarations are not associated with statistically significant cumulative market reactions. Likewise, although independent quick count announcements are associated with a significant positive abnormal return on the announcement day, this effect is not sustained over the corresponding cumulative event window.

Table 3 reports daily abnormal returns in the foreign exchange market surrounding candidate declarations and independent quick count announcements. Across both stages of political information, abnormal exchange rate movements remain relatively small throughout the event window.

Following candidate declarations, abnormal returns fluctuate around zero over the eleven-trading-day event window, and none of the daily estimates reaches the conventional 5% significance level. These findings indicate that candidate declarations are not associated with statistically significant daily abnormal returns in the foreign exchange market.

A similar pattern is observed following independent quick count announcements. Within the validated event window (T-1, T0, T+1), abnormal returns remain statistically insignificant on all three

Table 2. Cumulative average abnormal returns across alternative event windows

Event	Event Window	CAAR	SD	SE	95% Confidence Interval	t-statistic	p-value	N
Candidate declaration	T-1, T+1	-0.0134	0.0173	0.0077	[-0.0349, 0.0080]	-1.7388	0.1571	5
Candidate declaration	T-3, T+3	-0.0160	0.0420	0.0188	[-0.0682, 0.0361]	-0.8547	0.4409	5
Candidate declaration	T-5, T+5	-0.0346	0.0645	0.0289	[-0.1147, 0.0456]	-1.1974	0.2972	5
Quick count announcement	T-1, T+1	0.0047	0.0136	0.0061	[-0.0122, 0.0217]	0.7736	0.4824	5

Note: CAAR denotes Cumulative Average Abnormal Return calculated across the five presidential election cycles. The quick count analysis is limited to the validated event window (T-1, T0, T+1), as no observations are available outside this interval in the underlying dataset. Consequently, wider event windows are not estimated for quick count announcements.

Table 3. Average abnormal returns in the foreign exchange market across electoral information phases

Relative Day	Candidate Declaration AAR	SD	SE	t-statistic	p-value	Quick Count Announc. AAR	SD	SE	t-statistic	p-value
T-5	-0.0004	0.0037	0.0016	-0.2417	0.8209	—	—	—	—	—
T-4	0.0041	0.0052	0.0023	1.7553	0.1541	—	—	—	—	—
T-3	0.0049	0.0063	0.0028	1.7306	0.1586	—	—	—	—	—
T-2	-0.0014	0.0029	0.0013	-1.0448	0.3551	—	—	—	—	—
T-1	0.0009	0.0062	0.0028	0.3276	0.7597	-0.0018	0.0047	0.0021	-0.8831	0.4271
T0	0.0003	0.0044	0.0020	0.1622	0.8790	-0.0028	0.0032	0.0014	-1.9307	0.1257
T+1	0.0002	0.0044	0.0020	0.1205	0.9099	0.0006	0.0045	0.0020	0.2817	0.7921
T+2	-0.0030	0.0052	0.0023	-1.2821	0.2691	—	—	—	—	—
T+3	-0.0012	0.0039	0.0018	-0.7030	0.5208	—	—	—	—	—
T+4	-0.0007	0.0061	0.0027	-0.2643	0.8046	—	—	—	—	—
T+5	-0.0008	0.0039	0.0017	-0.4707	0.6624	—	—	—	—	—

Note: AAR denotes Average Abnormal Return calculated across the five presidential election cycles (2004, 2009, 2014, 2019, and 2024). Standard errors are computed using the cross-election standard deviation divided by $\sqrt{5}$. The Quick Count event is available only for the validated event window (T-1, T0, T+1); therefore, observations outside this interval are reported as N/A.

trading days. Although the estimated abnormal return on the announcement day (T0) is negative, it is not statistically distinguishable from zero ($t = -1.9307$, $p = 0.1257$).

Overall, the daily evidence suggests that political information is not associated with statistically significant abnormal returns in the foreign exchange market following either stage of the electoral process.

Table 4 summarizes cumulative abnormal returns in the foreign exchange market across alternative event windows. Consistent with the daily abnormal return results reported in Table 3, cumulative exchange rate reactions remain limited throughout the event windows.

For candidate declarations, the estimated Cumulative Average Abnormal Returns (CAAR) vary across the three event windows but remain statistically insignificant in all cases. Likewise, all confidence intervals include zero, indicating that cumulative exchange rate movements following candidate declarations are not statistically distinguishable from normal market movements.

For independent quick count announcements, the cumulative analysis is limited to the validated event window (T-1, T+1). Although the estimated CAAR is negative (-0.0041), it does not reach the conventional 5% significance level ($t = -2.4395$, $p = 0.0712$). Accordingly, the cumulative evidence does not indicate a statistically significant exchange rate adjustment over the corresponding event window.

Table 4. Cumulative average abnormal returns in the foreign exchange market across alternative event windows

Political event	Event Window	CAAR	SD	SE	95% CI	t-statistic	p-value	N
Candidate declaration	T-1, T+1	0.0015	0.0045	0.0020	[-0.0041, 0.0071]	0.7293	0.5063	5
Candidate declaration	T-3, T+3	0.0007	0.0108	0.0048	[-0.0127, 0.0141]	0.1495	0.8884	5
Candidate declaration	T-5, T+5	0.0029	0.0044	0.0020	[-0.0026, 0.0084]	1.4596	0.2182	5
Quick Count announcement	T-1, T+1	-0.0041	0.0037	0.0017	[-0.0087, 0.0006]	-2.4395	0.0712	5

Note: CAAR denotes Cumulative Average Abnormal Return calculated across the five presidential election cycles. The quick count analysis is restricted to the validated event window (T-1, T0, T+1), as observations outside this interval are unavailable in the underlying dataset.

Table 5. Robustness checks using alternative statistical procedures

Method	Market	Political Event	Test Statistic	p-value	Decision
Corrado Rank Test	Stock Market	Candidate Declaration	-1.310	0.190	Not Significant
	Stock Market	Quick Count Announcement	2.481	0.013**	Significant
	Foreign Exchange Market	Candidate Declaration	-1.176	0.240	Not Significant
	Foreign Exchange Market	Quick Count Announcement	-2.236	0.025**	Significant
Wilcoxon Signed-Rank Test	Stock Market	Candidate Declaration	8.000	0.024**	Significant
	Stock Market	Quick Count Announcement	3.000	1.000	Not Significant
	Foreign Exchange Market	Candidate Declaration	30.000	0.831	Not Significant
	Foreign Exchange Market	Quick Count Announcement	1.000	0.500	Not Significant
CAPM Robustness	Stock Market	All Event Windows	Qualitatively Identical	—	No Change
	Foreign Exchange Market	All Event Windows	Qualitatively Identical	—	No Change

Note: Corrado Rank Test and Wilcoxon Signed-Rank Test are reported as complementary non-parametric robustness procedures. CAPM robustness evaluates the sensitivity of abnormal return estimates to an alternative expected-return specification. ** and * indicate significance at the 5% and 10% levels, respectively.

Overall, the cumulative results suggest that neither candidate declarations nor independent quick count announcements are associated with statistically significant cumulative abnormal returns in the foreign exchange market.

Table 5 summarizes the robustness analyses using alternative statistical procedures and expected-return specifications. The CAPM specification produces qualitatively identical results to those obtained under the market model across all event windows, indicating that the abnormal return estimates are robust to an alternative expected-return specification.

The non-parametric procedures provide complementary evidence regarding the statistical significance of market reactions under the limited sample of five presidential election cycles. For the stock market, the Corrado rank test identifies a statistically significant reaction following independent quick count announcements ($p = 0.013$), consistent with the main parametric results. By contrast, the Wilcoxon signed-rank test identifies a statistically significant reaction following candidate declarations ($p = 0.024$), whereas no significant result is observed for quick count announcements.

A similar pattern is observed in the foreign exchange market. Whereas the parametric t-test does not detect a statistically significant reaction following quick count announcements ($p = 0.1257$), the Corrado rank test indicates a statistically significant result ($p = 0.025$). However, the Wilcoxon signed-rank test does not identify statistically significant reactions for either candidate declarations or quick count announcements.

Overall, the robustness analyses indicate that statistical significance varies across alternative inference procedures, as expected in event studies based on a limited number of independent political events. Rather than altering the main findings, these results support a cautious interpretation by considering evidence from both parametric and non-parametric statistical procedures.

4. DISCUSSION

The findings indicate that political information is incorporated differently across Indonesia's stock and foreign exchange markets during presidential elections. While the stock market responds positively to independent quick count announcements, the foreign exchange market exhibits comparatively weaker and less consistent reactions. Candidate declarations, by contrast, are not associated with statistically significant abnormal returns in either market. These findings suggest that identical political information does not necessarily produce uniform adjustments across financial markets, reflecting differences in how political uncertainty is incorporated into asset prices.

These cross-market differences are consistent with the view that financial markets process public information through distinct pricing mechanisms. Equity prices are closely linked to investors' expectations regarding future corporate earnings, economic policy, and political stability, allowing politically relevant information to be incorporated relatively quickly. Exchange rate movements, however, are influenced by a broader combina-

tion of domestic and international factors, including monetary policy, capital flows, global financial conditions, and central bank interventions. Consequently, identical political announcements may generate different responses across equity and foreign exchange markets even when the information becomes publicly available simultaneously.

The findings also underscore the importance of the credibility of political information. Candidate declarations provide early signals regarding electoral competition but leave substantial uncertainty regarding the eventual election outcome and its policy implications. Consequently, investors appear to adjust their expectations cautiously following these announcements. Independent quick count announcements, by contrast, substantially reduce electoral uncertainty by providing statistically based estimates of election outcomes shortly after voting concludes. The stronger reaction observed in the stock market is therefore consistent with the view that investors respond more actively when political information is perceived as more credible and more informative.

This interpretation is consistent with signaling theory, which argues that the effectiveness of public information depends on its ability to reduce information asymmetry (Spence, 1973; Connelly et al., 2011). In the present context, independent quick count announcements appear to provide stronger informational signals than candidate declarations because they offer more reliable assessments of electoral outcomes before official certification. At the same time, the robustness analyses indicate that the overall interpretation remains broadly consistent across alternative inference procedures, despite some variation in statistical significance. Given the limited number of independent presidential election cycles, such variation is expected and further highlights the importance of interpreting the empirical evidence with appropriate caution rather than relying on a single statistical procedure.

The contrast between the stock and foreign exchange markets further suggests that improvements in the credibility of political information do not necessarily translate into equivalent market responses. Although more credible political announcements reduce electoral uncertainty, exchange rate dynamics remain influenced by a

broader set of domestic and international factors. Consequently, political information represents only one component of the broader information set incorporated into currency prices, whereas its influence appears more directly reflected in equity valuations.

These findings contribute to the political finance literature in two respects. First, they demonstrate the value of adopting a cross-market perspective when examining the financial implications of political information. Comparing stock and foreign exchange markets provides additional insights into how political information is incorporated across different asset classes, extending evidence beyond studies that focus on a single financial market. Second, the findings highlight the importance of distinguishing political announcements according to their informational credibility. Rather than treating presidential elections as homogeneous political events, the results suggest that different stages of the electoral process convey different levels of uncertainty-reducing information and may therefore generate different market reactions.

Several limitations should be acknowledged. Although this study covers the complete population of Indonesia's five direct presidential election cycles conducted between 2004 and 2024, the number of independent political events remains inherently limited. Consequently, the findings should be interpreted as evidence from Indonesia's institutional setting rather than as establishing broader patterns applicable across political systems or financial markets. Additional evidence from other emerging and developed economies would help evaluate the broader applicability of these findings.

Within these limitations, the empirical evidence is consistent with the view that political information is incorporated differently across financial markets and that differences in the credibility of political announcements contribute to variations in short-term market reactions. More broadly, this study contributes to the political finance literature by demonstrating that a cross-market perspective provides additional insights into how political information is reflected in financial markets while highlighting the role of informational credibility in explaining heterogeneous market reactions.

CONCLUSION

This study examined how political information is incorporated into Indonesia's stock and foreign exchange markets during the country's five direct presidential election cycles conducted between 2004 and 2024. By comparing market reactions to candidate declarations and independent quick count announcements, the findings indicate that the two financial markets respond differently to political information. The stock market exhibits a statistically significant positive reaction following independent quick count announcements, whereas the foreign exchange market shows comparatively weaker responses. Candidate declarations, by contrast, are not associated with statistically significant market reactions in either market.

These findings suggest that political information is not incorporated uniformly across financial markets and that the informational credibility of political announcements contributes to differences in short-term market reactions. The evidence is consistent with the view that political announcements providing clearer signals regarding electoral outcomes generate stronger responses in the equity market than in the foreign exchange market. Accordingly, examining political events from a cross-market perspective provides additional insights into how political information is incorporated into financial markets.

The findings should be interpreted in the institutional context of Indonesia and the five presidential election cycles examined in this study. Given the limited number of independent political events, caution is warranted when considering the broader applicability of the findings. Future research may extend this analysis to other countries, additional financial markets, and broader categories of political information to evaluate whether similar cross-market patterns are observed under different institutional settings.

AUTHOR CONTRIBUTIONS

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