

ABSTRACT

This paper provides information regarding the effects of domestic political events on the Jakarta Stock Exchange. An event methodology is employed, and the results suggest that the market as a whole and the overall industries do not seem to respond to all political events. The results also indicate that there is no difference between the means of abnormal returns before and after the event. In general, the market as a whole and the overall industries behave in a similar manner.

The change in signs (positive-negative) of abnormal returns suggests that the political condition in Indonesia was still unstable.

The results suggest that some events observed are likely to be less important than the others due to so many random shocks to the system in the post 1997 crisis period. The findings also suggest that there is a change in the way the market reacts to such information.