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Comparison of Stock Market Reactions to the 2024 Elections: Event Study Analysis of the IDX Sectoral Index

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Abstract: This study examines the capital market reaction at the sectoral level to the 2024 General Election in Indonesia, with the aim of providing deeper insight into how political events influence different industries. Using an event study methodology, the analysis is conducted over a 10-trading-day window surrounding February 14, 2024—the official election date—covering five days before and after the event. The research focuses on six major sectoral indices listed on the Indonesia Stock Exchange (IDX), namely Energy, Consumer Cyclicals, Financials, Basic Materials, Industrials, and Technology.Market reaction is measured through two primary dimensions: (1) changes in price valuation, represented by abnormal returns (AR), and (2) shifts in investor activity, measured through Trading Volume Activity (TVA), operationalized as the turnover ratio. Abnormal returns capture the extent to which price changes deviate from expected normal performance, while TVA reflects the level of investor engagement in each sector during the event window.To evaluate differences in market reaction across sectors, the Kruskal–Wallis test is applied for abnormal returns due to non-normal data distribution, and Welch's ANOVA is used for TVA to account for heterogeneity of variances. The results reveal no statistically significant differences in abnormal returns across the six sectors, suggesting that price adjustments to election-related information occur uniformly across the market, reflecting a degree of informational efficiency. However, the analysis of TVA shows a highly significant difference among sectors. A Games–Howell post-hoc test further indicates that the Energy and Consumer Cyclicals sectors experienced notably higher trading activity compared to other sectors, especially the Financials sector, which recorded the lowest investor engagement.

Keywords: 2024 Elections; Abnormal Return; Event Study; Sectoral Index; Trading Volume Activity

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1. Introduction

Capital market activity serves as a crucial barometer reflecting a country's business climate and economic health. The performance of a capital market is sensitive to various factors, including not only economic variables but also non-economic events such as political occurrences (Hafidz & Isbanah, 2020). Presidential elections, as political events that can lead to changes in government and policy direction, represent critical junctures that create uncertainty and trigger significant reactions in the stock market (Utami & Qoyum, 2020). The 2024 General Election in Indonesia presents a unique context as it featured no incumbent candidate, opening up the possibility for more fundamental policy changes and heightening uncertainty for market participants. Given that each presidential ticket offered distinct economic visions and programs, understanding how the capital market interprets and responds to signals from the election outcome is vital for investors, regulators, and other stakeholders in navigating the post-election economic dynamics.

Numerous studies have confirmed that different industry sectors exhibit varying sensitivity to political events. Sectors dependent on government policies, such as infrastructure, those vulnerable to market risk, such as consumer cyclicals, or those with high international exposure, such as energy, tend to show stronger reactions to political uncertainty (Katti, 2018; Ainani & Bintoro, 2023). Nevertheless, empirical research on the impact of elections in Indonesia, such as studies by Arif & Sudjono (2021) and Fidiana (2020) on the 2019 election, has predominantly focused on samples of liquid stocks like those in the LQ45 index, rather than on a comparative analysis across industry sectors. Furthermore, the findings from these studies have shown mixed results regarding the significance of market reactions. Therefore, this study aims to provide a comprehensive understanding of how market reactions are differentiated at the sectoral level in response to an election, particularly within the unique context of the 2024 election, for which studies are still limited.

To fill the identified research gap, this study specifically analyzes the market reaction across six major sectoral indices on the Indonesia Stock Exchange (IDX). These six units of analysis were selected purposefully based on their relevance and potential sensitivity to the specific issues of the 2024 election. The infrastructure (IDXINFRA), energy (IDXENERGY), and basic materials (IDXBASIC) sectors were chosen due to their high dependency and sensitivity to changes in government policies regarding strategic projects, energy regulations, and natural resource downstreaming. The consumer non-cyclicals sector (IDXNONCYC) is relevant due to the potential impact of prominent social programs highlighted during the election. Meanwhile, the financial sector (IDXFINANCE) was selected for its role as a barometer of economic stability, and the consumer cyclicals sector (IDXCYCLIC) for its sensitivity to consumer sentiment and post-election economic growth expectations. By focusing on these six sectors, this research aims to provide a sharper picture of how different market segments respond to political dynamics.

To address this, the study employs an event study methodology over a 10-trading-day window surrounding the 2024 election and measures market reaction through two primary dimensions. First, the price reaction is measured by abnormal returns to identify unusual valuation changes. Second, the investor activity reaction is measured by trading volume activity, calculated using the daily turnover ratio, to gauge changes in interest and transaction levels. This leads to the primary research question: does the Indonesian capital market respond uniformly to the 2024 election results across sectors with varying relevance and sensitivity to political issues, or are there significant differences in reaction? More specifically, for abnormal returns, this study will test for significant differences, which will provide insights into the market's efficiency in processing macroeconomic political information. Meanwhile, for trading volume activity, it will also test for significant differences in trading levels across sectors, reflecting investors' varied interpretations of the election's specific impact on each industry segment.

By conducting a comparative analysis across sectors and using a dual-dimension approach (price and volume), this study offers several important contributions. Empirically, it presents one of the first analyses of the specific impact of the 2024 election at the sectoral level in the Indonesian capital market, moving beyond common aggregate-level analyses. Theoretically, the findings provide insights into the behavior of Signalling Theory and the Efficient Market Hypothesis in the context of political events in an emerging market. The

findings are expected to have practical implications for investors in formulating adaptive sectoral strategies during periods of political uncertainty, and for academics in understanding complex market reaction dynamics.

2. Literature Review

Signalling Theory

Positive or negative signals that investors receive from an informational event become a consideration in their investment decisions (Hartono, 2017). The more important and relevant the information is to investors, the more influential it is on the capital market. The 2024 General Election can be considered a signal regarding the future direction of economic and political policies. Market reactions, measured through abnormal returns and trading volume activity on the IDX sectoral indices, can be interpreted as the investors' response to this signal.

Efficient Market Hypothesis

The Efficient Market Hypothesis (EMH), popularized by Eugene Fama (1970), is a fundamental theory in finance which posits that asset prices in the capital market fully reflect all available information (Utami & Qoyum, 2020). According to Hartono (2017), market efficiency describes how stock prices reflect available information. The efficiency of a capital market is characterized by the ability of security prices to reflect accurate and relevant information.

Political Uncertainty Theory

Political Uncertainty Theory provides a framework for understanding how uncertainty regarding policy and political stability influences economic decision-making. Under conditions of high political uncertainty, economic agents such as firms and investors tend to postpone investment decisions. This can negatively impact economic growth and market volatility. In the context of this study, the 2024 General Election is a potential source of political uncertainty. This uncertainty can affect investor expectations and is reflected in stock market reactions, measured through abnormal returns and trading volume activity on the IDX sectoral indices. Sectors that are more sensitive to government policies are expected to show stronger reactions to the election-related political uncertainty.

Event Study

An event study is a research method used to examine how an informational event affects market reactions (Hartono, 2017). This methodology is employed to analyze the stock market's reaction, represented by the sectoral indices on the IDX, to the 2024 General Election event. The objective is to identify whether there are significant differences in market reactions among sectors in response to the election.

Abnormal Return

Abnormal return is the difference between an asset's actual return and its expected return over a specific period (Hartono, 2017). Abnormal return isolates the specific impact of a particular event on an asset's return, removing the influence of other factors that may affect price movements. The magnitude of the abnormal return reflects the strength of the market's reaction to the event (Blau et al., 2019).

Trading Volume Activity

Trading volume activity is a metric in financial market analysis that reflects the intensity of trading activity for an asset over a given period, used to observe the capital market's reaction to specific information (Pamungkas et al., 2015). High trading volume activity is generally interpreted as an indication of high investor interest. Conversely, low trading volume activity can signal low investor interest. Differences in trading volume activity among sectors can indicate which sectors are perceived to be more affected by an informational event, including an election.

Hypothesis Development on Abnormal Return and Trading Volume Activity

The basis for the hypothesis regarding abnormal return is built upon the tension between various financial theories within the context of political events. On one hand, the Efficient Market Hypothesis (EMH) assumes that public information from election results will be absorbed quickly and uniformly, leading to no significant differences in abnormal returns across sectors. However, Political Uncertainty Theory and Signalling Theory offer a counterargument. Uncertainty about post-election policy direction is perceived differently by each sector, and signals from the election event are interpreted heterogeneously, which can logically cause valuation differences and, consequently, differences in abnormal returns. Previous empirical studies have also shown mixed results; some studies by Arif & Sudjono (2021) and Hafidz & Isbanah (2020) found no significant differences in abnormal returns, while other studies by Muzzammil & Rizki (2020), Argantha and Sudirman (2020), and Tomić et al. (2023) did find significant abnormal returns during political events. Given this inconsistency and the strong theoretical arguments for a differentiated reaction, this study tests the following hypothesis:

H1: There is a significant difference in abnormal returns among the sectoral indices on the IDX during the event window of the 2024 General Election.

In addition to price reactions, market reactions are also measured through trading activity using trading volume activity. The argument for this hypothesis is based on Political Uncertainty Theory, which posits that uncertainty surrounding post-election policies triggers disagreement among investors. This disagreement drives an increase in transaction volume in sectors perceived as most exposed to policy changes. Signalling Theory also reinforces this argument, as signals from the election event will prompt investors to actively adjust their portfolios, especially in sectors deemed most sensitive. Previous empirical research on the impact of political events on trading volume activity shows inconsistent results; some studies by Fidiana (2020) and Utami & Qoyum (2020) found significant differences in trading volume activity, while others by Arif & Sudjono (2021) and Sa'diyah & Widagdo (2020) found no significant results. Given the strong theoretical arguments that uncertainty and signal interpretation will trigger different trading activities across sectors, this study tests the following hypothesis:

H2: There is a significant **difference in trading volume activity among the sectoral indices on the IDX during the event window of the 2024 General Election.**

3. Research Method

This study employs a quantitative event study methodology to analyze the stock market's reaction to the 2024 General Election. Secondary data, including actual returns, expected returns, daily trading volume activity, and the number of outstanding shares for each sector, were statistically analyzed to test the research hypotheses. The data were obtained from credible financial data sources, namely the official website of the Indonesia Stock Exchange (idx.co.id) and Investing.com. The collected data were then organized and recorded in a data collection sheet designed using Microsoft Excel to facilitate further analysis.

The population for this research comprises all companies listed within the eleven sectoral indices under the IDX-IC classification on the Indonesia Stock Exchange (IDX). From this population, a sample was selected using purposive sampling to focus the analysis on six sectoral indices deemed most relevant to the election's policy issues, encompassing a total of 642 companies. The observation period (event window) was set for 10 trading days surrounding the event date, specifically 5 days before and 5 days after February 14, 2024.

Data Analysis Technique

The event window was established for 10 effective trading days (t-5 to t+5), a duration considered sufficient to capture short-term reactions while minimizing contamination from other events. Market reaction was measured using two variables. First, daily abnormal return was calculated using the Market-Adjusted Return Model (MARM), a model chosen for its robustness in short event windows (Hartono, 2017). Second, trading volume activity was measured using the daily turnover ratio.

Abnormal return

The calculation of abnormal return begins with determining the actual return. The actual return is calculated based on the price difference between the current period and the previous period, using the closing price of the security. The formula is as follows (Hartono, 2017):

$$R_{i,t} = \frac{P_{i,t} - (P_{i,t} - 1)}{P_{i,t} - 1}$$

$$E\left(R_{i,t}\right) = R_{mt}$$

E (Ri,t) = Expected return of security i on day t

Rmt = Market return (IHSG) on day t

Based on the expected return calculated with MARM, the abnormal return is then computed by measuring the difference between the sector's actual return and its expected return. The formula is as follows (Hartono, 2017):

$$AR_{i,t} = R_{i,t} - E(R_{i,t})$$

ARi,t = Abnormal return of sector i on day t

Ri,t = Actual return of sector i on day t

E (Ri,t) = Expected return of sector i on day t

Trading volume activity

Trading volume activity is calculated by dividing the total number of shares traded within a sectoral index by the total number of outstanding shares in that index. The formula is as follows (Nugraha & Suroto, 2019):

$$\mathbf{TVA_{i,t}} = \frac{\sum \textbf{shares of i traded at time t}}{\sum \textbf{ shares of i outstanding at time t}}$$

TVAi,t = Trading volume activity of sector i on day t

Data analysis began with descriptive statistics to provide an overview of the abnormal return and trading volume activity data for each sector. To test the hypotheses regarding significant differences among sectors, a series of statistical tests were conducted using SPSS. The normality assumption was first tested using the Shapiro-Wilk Test. Based on the assumption test results, the Kruskal-Wallis Test was used to compare abnormal returns across sectors as the data were not normally distributed. For trading volume activity, which was found to be normally distributed but had non-homogeneous variances (based on Levene's Test), Welch's ANOVA was used as the primary hypothesis test. If a significant overall difference was found, a Games-Howell post-hoc test was conducted to identify which specific pairs of sectors differed.

4. Results and Discussion

Results

The analysis begins with descriptive statistics to provide an overview of the market reaction across the six selected sectors during the 10-day event window. The results, summarized in Table 1, show clear variations in the characteristics of abnormal return and trading volume activity among the sectors. In terms of returns, the financial sector (IDXFINANCE) was the only one to record a positive average daily abnormal return (0.0008), while the basic materials sector (IDXBASIC) showed the highest negative average (-0.0060). Regarding trading activity, measured by the daily turnover ratio, the energy sector

(IDXENERGY) exhibited the highest relative activity (average 0.0024) and was the most volatile (Std. Dev. 0.0008). Conversely, the financial sector not only showed a positive average abnormal return but also the lowest and most stable trading volume activity among all analyzed sectors.

Table 1. Descriptive Statistics of Abnormal Return and Trading Volume Activity per Sector

Sector	N	Mean AR	Std. Dev. AR	Mean TVA (Turnover Ratio)	Std. Dev. TVA
IDXBASIC	10	-0.0060	0.0071	0.0011	0.0002
IDXCYCLIC	10	-0.0024	0.0104	0.0018	0.0003
IDXENERGY	10	-0.0010	0.0093	0.0024	0.0008
IDXFINANCE	10	0.0008	0.0049	0.0007	0.0001
IDXINFRA	10	-0.0006	0.0040	0.0014	0.0006
IDXNONCYC	10	-0.0014	0.0069	0.0012	0.0003

Sumber: Data processed, 2025

Prior to hypothesis testing, the data were first tested for normality and homogeneity of variances. The results of these assumption tests, summarized in Table 2 and Table 3, determined the appropriate inferential statistical methods to be used. Based on the Shapiro-Wilk normality test, it was found that the abnormal return data for the IDXBASIC ($p = 0.030$) and IDXINFRA ($p = 0.050$) sectors were not normally distributed. Conversely, the trading volume activity data, measured by the daily turnover ratio, were found to be normally distributed across all sectors (all p-values > 0.05). Furthermore, as shown in Table 3, the Levene's Test for homogeneity of variances conducted on the trading volume activity data indicated that the assumption of homogeneity of variances was not met ($p < .001$). Based on these assumption test results, it was decided that the Kruskal-Wallis Test would be used to analyze abnormal returns, and Welch's ANOVA would be used to analyze trading volume activity.

Table 2. Results of Normality Assumption Test

Shapiro-Wilk Normality Test				
Sector	Abnormal Return (p-value)	Conclusion	Trading Volume Activity (p-value)	Conclusion
IDXBASIC	$0.030 \leq \alpha = 0.05$	Not normal	$0.052 > \alpha = 0.05$	Normal
IDXCYCLIC	$0.221 > \alpha = 0.05$	Normal	$0.899 > \alpha = 0.05$	Normal
IDXENERGY	$0.726 > \alpha = 0.05$	Normal	$0.346 > \alpha = 0.05$	Normal
IDXFINANCE	$0.111 > \alpha = 0.05$	Normal	$0.695 > \alpha = 0.05$	Normal
IDXINFRA	$0.050 \leq \alpha = 0.05$	Not normal	$0.066 > \alpha = 0.05$	Normal
IDXNONCYC	$0.500 > \alpha = 0.05$	Normal	$0.895 > \alpha = 0.05$	Normal

Sumber: Data processed, 2025

Table 3. Results of Homogeneity of Variances Test (Levene's Test)

Trading Volume Activity	Levene Statistic	df1	df2	Sig.
Based on Mean	5.762	5	54	<.001
The homogeneity of variances test was not performed on abnormal returns as the data were not normally distributed.				

Sumber: Data processed, 2025

sectors (Welch's $F(5, 24.207) = 23.844$, $p < .001$). Therefore, Hypothesis 2 (H2), which posited a significant difference in trading activity among sectors, was supported by the data.

Based on the assumption test results, the research hypotheses were tested using the appropriate statistical methods for each variable. The main hypothesis test results are summarized in Table 4. For abnormal return, the Kruskal-Wallis Test showed that there was no statistically significant difference among the six sectors (H = 7.847, p = 0.165), thus Hypothesis 1 (H1) was not supported. Conversely, for trading volume activity, the Welch's ANOVA test showed a highly statistically significant difference among the

Table 4. Hypothesis Test Results for Differences in Abnormal Return and Trading Volume Activity Among Sectors

Variable	Statistical Test Used	Statistic	df (df2)	p-value	Hypothesis Decision
Abnormal Return	Kruskal-Wallis H	7.847	5	0.165	H1 Not Supported
Trading Volume Activity	Welch's F	23.844	5; (24.207)	<0.001	H2 Supported
Note: Hypotheses were tested at a significance level of α = 0.05. The df for Welch's F are df1, df2.					

Sumber: Data processed, 2025

Given that the Welch's ANOVA result indicated a significant overall difference in trading volume activity, a post-hoc analysis was conducted to identify which specific pairs of sectors differed. The Games-Howell post-hoc test was used because the assumption of homogeneity of variances was not met. The analysis results, summarized in Table 5, reveal a clear pattern of differences. The energy (IDXENERGY) and consumer cyclicals (IDXCYCLIC) sectors showed significantly higher average daily turnover ratios compared to three other sectors: financials (IDXFINANCE), basic materials (IDXBASIC), and consumer non-cyclicals (IDXNONCYC). On the other hand, the financial sector consistently demonstrated significantly lower trading activity compared to all other sectors except for infrastructure. Finally, no significant difference was found between the energy and cyclicals sectors, placing them together in the group with the highest activity.

Table 5. Summary of Games-Howell Post-Hoc Test Results for Differences in Daily Turnover Ratio Among Sectors

Pairwise Sector Comparison	Mean Difference (I-J)	p-value	Conclusion
Highest Activity:			
DXENERGY vs. IDXFINANCE	0.0017	0.001	Significant (Energy > Finance)
IDXENERGY vs. IDXBASIC	0.0013	0.005	Significant (Energy > Basic)
IDXENERGY vs. IDXNONCYC	0.0011	0.011	Significant (Energy > Non Cyclicals)
IDXCYCLIC vs. IDXFINANCE	0.0011	<0.001	Significant (Cyclicals > Finance)
IDXCYCLIC vs. IDXBASIC	0.0007	<0.001	Significant (Cyclicals > Basic)
IDXCYCLIC vs. IDXNONCYC	0.0006	0.008	Significant (Cyclicals > Non Cyclicals)
Lowest Activity:			
IDXFINANCE vs. IDXBASIC	-0.0004	0.006	Significant (Finance < Basic)
IDXFINANCE vs. IDXNONCYC	-0.0005	0.002	Significant (Finance < Non Cyclicals)

Note: Only comparisons with a p-value ≤ 0.05 are presented or marked. A negative sign in the Mean Difference indicates that the mean of Sector (I) is lower than that of Sector (J).

Sumber: Data processed, 2025

Discussion

The primary findings of this study present a compelling, multi-dimensional picture of the market's reaction to the 2024 General Election event. On one hand, the absence of a significant difference in abnormal returns across sectors ($p = 0.165$) indicates that the market generally assessed the macroeconomic impact of the election uniformly in the short term. This finding is consistent with the Efficient Market Hypothesis (EMH), wherein large-scale public information is rapidly absorbed into prices generally, without creating differentiated abnormal gains or losses among sectors. However, the contrasting and highly significant finding for trading volume activity ($p < .001$) shows that this information absorption process was characterized by highly heterogeneous levels of investor attention, disagreement, and activity.

The significant differences in trading volume activity, identified in detail through the Games-Howell post-hoc test, clearly show that the market exhibited a "sharp focus" on specific sectors. The high trading activity in the energy (IDXENERGY) and consumer cyclicals (IDXCYCLIC) sectors can be interpreted through the lens of Political Uncertainty Theory and Signalling Theory. The signal from the election event remained ambiguous regarding the details of energy policy and the macroeconomic direction affecting consumer spending power. It is this uncertainty that likely triggered strong disagreement among investors, which in turn drove intensive buying and selling activity in these two sectors as part of the price discovery process.

On the other end of the spectrum, the significantly lower trading activity in the financial sector (IDXFINANCE) provides valuable insight. This suggests a greater market consensus or a more dominant wait-and-see attitude, possibly due to investors' confidence in the stability maintained by an independent monetary authority. The other sectors, such as basic materials, infrastructure, and consumer non-cyclicals, occupied a middle ground between these two extremes, exhibiting more moderate activity. The activity in these sectors appears to be driven by long-term policy expectations (such as resource downstreaming and infrastructure) or speculation related to specific social programs, but it did not trigger the same transactional urgency as seen in the energy and cyclicals sectors.

The findings of this research add a new nuance to the existing literature. While many previous studies have shown mixed results regarding the significance of abnormal returns, this study highlights that trading volume activity can be a more sensitive indicator of market reaction in the context of political events. The relationship between statistically insignificant abnormal returns and statistically significant trading volume activity can be interpreted as a condition where the market behaves efficiently from a pricing perspective (consistent with EMH), yet exhibits sharp differences in investor attention and consensus across sectors. The insignificant difference in abnormal returns supports the Efficient Market Hypothesis (EMH), indicating that macroeconomic information from the election results was uniformly absorbed without creating clear sectoral arbitrage opportunities. However, the significant difference in trading volume activity underscores the role of Signalling Theory and investor disagreement. It suggests that an ambiguous political signal may not be strong enough to significantly alter price valuations but is highly effective at triggering trading activity in the sectors perceived as most relevant. Thus, trading volume activity serves as a crucial proxy for the price discovery process and investor disagreement, a dimension of reaction not captured by the analysis of abnormal returns alone.

5. Conclusion and Suggestions

This research concludes that the Indonesian capital market exhibited a multi-dimensional reaction to the 2024 General Election event. An event study analysis of six major industry sectors revealed that there was no statistically significant difference in abnormal returns among the sectors, indicating that the price valuation impact of the election results was absorbed efficiently and relatively uniformly in the short term, consistent with the

Efficient Market Hypothesis. However, a highly statistically significant difference was found in trading volume activity. The energy and consumer cyclicals sectors became centers of trading activity, demonstrating a much higher level of investor attention and disagreement compared to other sectors like financials, which tended to be more passive. This contrasting finding confirms that while the market may be efficient from a pricing perspective, the reaction in terms of trading activity is highly heterogeneous and can serve as a more sensitive indicator of investor focus and uncertainty following a political event.

This study has practical implications for investors, who are advised to pay attention to sectoral trading volume activity as an indicator of market focus and potential volatility, rather than solely reacting to short-term price movements after a political event. For regulators, the findings regarding increased trading activity in certain sectors can serve as a basis for enhancing monitoring during political transition periods. Despite providing important insights, this research has limitations, including the inability to perfectly isolate all confounding events and the use of the assumption of constant outstanding shares. Therefore, future research is recommended to extend the observation period to analyze the long-term impacts of policy implementation and to conduct analysis at the individual issuer level within the most active sectors to gain a deeper understanding.

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