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# The Effect Of The 2024 United States Of America Presidential Election On Abnormal Returns On The Indonesian Stock Exchange: A Semi-Strong Market Efficiency Test

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***Abstract** ; This study aims to examine the Effect of the 2024 United States of America (US) Presidential Election on abnormal returns on the Indonesia Stock Exchange (IDX) using a semi-strong market efficiency approach. International political events, such as the US election, are predicted to affect the global stock market, including Indonesia. This study uses an event study method with a time window of [-5, +5] around the election date. The sample consists of 5 stocks with large capitalization and high liquidity on the IDX. The results of the normality test show that the abnormal return data is distributed normally. The abnormal return significance test showed that only on day t-3 there was a significant abnormal return. A comparison of abnormal returns before and after the election did not find any significant differences, indicating that the Indonesian market tends to be efficient in absorbing information from the US election. These results confirm that the IDX has semi-strong market efficiency characteristics, where public information, such as the results of the US elections, is immediately reflected in the stock price. This finding has implications for investors and policymakers in responding to global political events that affect the Indonesian capital market.*

***Keyword:** Abnormal Return, Semi-Strong Market Efficiency, Event Study, Indonesian Stock Market, USA Presidential Election*

**Abstrak**. Penelitian ini bertujuan untuk mengkaji Pengaruh Pemilihan Presiden Amerika Serikat (AS) 2024 terhadap imbal hasil abnormal di Bursa Efek Indonesia (BEI) dengan menggunakan pendekatan efisiensi pasar semi-kuat. Peristiwa politik internasional, seperti pemilu AS, diprediksi akan mempengaruhi pasar saham global, termasuk Indonesia. Penelitian ini menggunakan metode studi peristiwa dengan jendela waktu [-5, +5] di sekitar tanggal pemilihan. Sampel terdiri dari 5 saham dengan kapitalisasi besar dan likuiditas tinggi di BEI. Hasil uji normalitas menunjukkan bahwa data pengembalian abnormal didistribusikan secara normal. Tes signifikansi pengembalian abnormal menunjukkan bahwa hanya pada hari t-3 ada pengembalian abnormal yang signifikan. Perbandingan imbal hasil abnormal sebelum dan sesudah pemilu tidak menemukan perbedaan yang signifikan, menunjukkan bahwa pasar Indonesia cenderung efisien dalam menyerap informasi dari pemilu AS. Hasil ini menegaskan bahwa BEI memiliki karakteristik efisiensi pasar yang semi kuat, di mana informasi publik, seperti hasil pemilu AS, langsung tercermin dalam harga saham. Temuan ini berimplikasi bagi investor dan pembuat kebijakan dalam merespon peristiwa politik global yang mempengaruhi pasar modal Indonesia.

**Kata kunci:** Abnormal Return, Efisiensi Pasar Semi Kuat, Event Study, Pasar Saham Indonesia, Pemilihan Presiden Amerika Serikat

## BACKGROUND

The 2024 United States of America (USA) Presidential Election is predicted to be one of the biggest political events that can affect global economic dynamics, including capital markets. As the world's largest economy, every political movement in the USA has a far-reaching impact, not only on the country, but also on the economies of other countries, including Indonesia. The Indonesia Stock Exchange (IDX), which reflects the performance of the domestic stock market, often shows significant reactions to

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international political events. One of the most commonly observed phenomena is abnormal changes in returns in the stock market as a reaction to new relevant information, such as election results that have the potential to change the direction of economic and political policies of major countries such as the USA.

To understand the influence of political events such as elections on the stock market, the concept of market efficiency is very important (Fama, 1970) argues that the stock price reflects all the information available in the market. In the theory of market efficiency, there are three levels of efficiency: weak, semi-strong, and strong. Semi-powerful market efficiency claims that stock prices already reflect all available public information, including corporate financial statements, economic news, and relevant political information, such as elections in major countries. Therefore, the results of the US election, which is public information, should be reflected immediately in the Indonesian stock price if the Indonesian market functions efficiently. To measure whether this change in stock price occurs according to the information entered, an abnormal return indicator is used, which is the difference between the expected return and the actual return.

Given the potential for the 2024 U.S. election to have a major impact on the global economy, this event is not only of interest to U.S. citizens, but also to stock markets in developing countries such as Indonesia. Regardless of who wins the election, the policies adopted by the new administration in the US can affect international trade flows, monetary policy, diplomatic relations, as well as the stability of global financial markets. As part of the global market, the Indonesian stock market can respond to changes in expectations that occur as a result of the election, which is reflected in abnormal changes in returns. Previous research has shown that emerging market stock markets are often affected by major events that occur in developed countries, such as elections in the US. For example, research by (Wulandhari & Puspaningtyas, 2019) shows that stock price fluctuations in developing countries are often triggered by international political events, and this is also relevant for the Indonesian market, where such fluctuations can be reflected in IDX stock price movements.

Given the importance of the US Presidential election in influencing the global economy, this study aims to examine the influence of the 2024 US Presidential election on abnormal returns on the Indonesia Stock Exchange by adopting a semi-strong market efficiency approach. By analyzing stock price changes on the IDX around the US election period, this study will identify whether there is a significant reaction from the Indonesian stock market to the event. In addition, the study will measure how quickly the Indonesian market is adjusting to emerging information related to the US election, providing an idea of whether the Indonesian market is really efficient in responding to large global information.

This research has important significance in both theoretical and practical contexts. Theoretically, this study will enrich the literature on market efficiency in developing countries, particularly in examining how the Indonesian stock market responds to information from major international political events. Practically, the results of this study can provide insights for investors who want to understand the external factors that affect the movement of the Indonesian stock market, as well as help them formulate investment strategies that are more adaptive to global political events. Thus, the findings of this study are expected to be a useful reference for decision-makers in the Indonesian stock market in facing uncertainty arising from international political events.

## LITERATURE REVIEW

### 1. Efficiency Market Hyphothesis

The theory of market efficiency was first introduced by Eugene Fama in 1970 through a concept known as the Efficient Market Hypothesis (EMH). Fama classifies market efficiency into three forms: weak, semi-strong, and strong efficiency (Fama, 1970). According to this theory, the price of an asset in the market reflects all the information available in the market, both published and unpublished. In an efficient market, stock prices always reflect fair value based on existing information, so no investor can consistently obtain abnormal profits through the analysis of known information. In the context of this study, the efficiency of the semi-strong market becomes very relevant. This is because international political events such as elections, which generate new public information, will soon be reflected in stock prices if the market functions efficiently. Semi-strong market efficiency implies that relevant information, such as the U.S. election results, should affect stock prices as soon as they are announced (Fama, 1991).

## 2. Event Study

The event study method is an approach that is widely used to test the influence of certain events on abnormal returns in the stock market. (MacKinlay, 1997) explains that event studies allow researchers to measure the impact of certain events—such as policy announcements or elections—on stock price movements by comparing actual returns with expected returns based on market models. Abnormal returns are measured as the difference between the observed return and the expected return based on normal market conditions, which is calculated using a market model or a factor model. This method is particularly relevant for analyzing the impact of major events such as the US election on the Indonesian stock market, as it allows researchers to see if the event triggered significant changes in stock prices, either positively or negatively. Event studies also provide an overview of how quickly the market can respond to new information, which is an indicator of market efficiency.

### 3. Abnormal Return

Abnormal return is the difference between the actual return received by the investor and the expected return based on the asset model or market prediction (Brealey et al., 2015). Abnormal returns are often used as an indicator to measure market reactions to new information, including major events such as elections. Abnormal returns are often used in event studies, which is a research method to measure the influence of a certain event on stock prices. The importance of abnormal returns lies in their ability to reflect whether the market behaves efficiently in response to events that affect investor expectations. When the market is efficient, the abnormal returns that occur should only reflect relevant and public information. Therefore, abnormal returns can be used to test whether stock price changes on the Indonesia Stock Exchange (IDX) are caused by information coming from abroad, such as the results of the US presidential election that have an impact on global economic policy .

### 4. The Influence of International Political Events on the Stock Market

International political events, especially those involving major countries such as the US, can have a significant impact on stock markets around the world, including developing countries such as Indonesia. Previous research has shown that stock markets in developing countries often react to major international political events, such as elections and political crises in developed countries. For example, research by

(Wulandhari & Puspaningtyas, 2019) revealed that stock price fluctuations in developing countries are often triggered by political events that occur in developed countries. This decline or surge in stock prices is often triggered by changes in expectations regarding economic and monetary policies that will be implemented by the new government.

### 5. The Influence of the US Election on the Indonesian Stock Market

Several studies on the Indonesian stock market show that major events abroad, including the US election, can affect abnormal returns on the IDX. (Putra & Lubis, 2022) used event studies to analyze the influence of global events on the Indonesian stock market and found that major international events such as the US election can trigger significant stock price fluctuations. (Muhid, 2024) It also shows that sectors that are more connected to international trade, such as energy, manufacturing, and commodities, are more vulnerable to the impact of foreign policy changes triggered by the US election results. Study by (Rahman & Veterina, 2022) regarding stock markets in Southeast Asia shows that the Indonesian market is also reacting to the uncertainty caused by the US election. They found that changes in U.S. foreign policy and trade policy could affect market expectations of global risks, which is ultimately reflected in stock price movements on the IDX. Sectors that are more dependent on international trade flows tend to be more affected by the election results.

### 6. The Role of the Indonesia Stock Exchange in the Global Context

The Indonesia Stock Exchange (IDX) is one of the largest stock markets in developing countries that is highly integrated with the global market. Indonesia's stock market can be affected by a variety of external factors, including changes in global economic conditions, international monetary policy, and of course, international political events that have the potential to affect global economic stability(Nabila, 2024) shows that the IDX shows a significant correlation with the stock market movements of major countries, especially the US. Therefore, political changes in the US, such as the results of the presidential election, can affect market expectations for Indonesia's economic performance and are reflected in stock price changes that occur on the IDX. Study by (Silaban & Sedana, 2018) also reinforces this, by showing that major events such as the 2016 US election have had a major impact on stock price movements in Indonesia. When investors assess the policies that the president-elect may take, they will adjust their expectations for the global economy, which will have an impact on investment decisions in the Indonesian stock market

**7. Research on Market Efficiency and Abnormal Returns in Indonesia**

Several studies in Indonesia have tested market efficiency and market reactions to international political events, including the US Presidential Election(Putra et al., 2023) found that the Indonesian stock market showed a reaction to relevant international events, although the impact was smaller compared to the stock markets of developed countries. They observed that Indonesian stock prices showed significant abnormal returns in the post-major political period, which suggests that the Indonesian market, while efficient in some ways, has not been fully efficient in absorbing all external information instantly. Other research by (Apriyanto et al., 2021) observed that the reaction of the Indonesian stock market to the US election results was more influenced by market expectations for the economic policies that would be implemented by the new administration. They noted that although the Indonesian market shows abnormal returns, market reactions are often influenced by global sentiment and the long-term economic outlook, not just by information coming from election results.

## METHOD

This study employs a quantitative descriptive approach to examine the influence of the 2024 U.S. Presidential Election on abnormal returns in the Indonesian stock market. Abnormal returns are calculated as the difference between observed returns and expected returns, with the latter estimated using the Market Model, which assumes a proportional relationship between individual stock returns and market returns (JCI). The research focuses on a [-5, +5] day event window around November 5, 2024, to capture market reactions before and after the event. The sample consists of five large-cap, highly liquid stocks listed on the Indonesia Stock Exchange (IDX), selected through purposive sampling based on market capitalization and trading volume criteria. Significance testing of abnormal returns is conducted using a t-test to determine the market's reaction to the event, with hypotheses assessing whether the U.S. The sample of this study consists of 5 companies listed on the Indonesia Stock Exchange (IDX) with a large market capitalization and high level of liquidity. The selection of companies is carried out by purposive sampling based on predetermined criteria.

| No. | Stock Code | Company Name | Industry Sector |
|---|---|---|---|
| 1 | ASII | Astra International Tbk | Automotive & Components |
| 2 | TLKM | Telekomunikasi Indonesia Tbk | Telecommunication |
| 3 | BBCA | Bank Central Asia Tbk | Banking |
| 4 | BMRI | Bank Mandiri (Persero) Tbk | Banking |
| 5 | INDF | Indofood Sukses Makmur Tbk | Consumer Goods |

election significantly impacts returns. The analysis also evaluates the speed of market adjustment to new information, providing insights into the semi-strong form of market efficiency. Data analysis is performed using SPSS, enabling the calculation of abnormal returns, hypothesis testing, and regression analysis to explore the relationship between the event and market performance.

## DISCUSSION

### 1. Normality Test

In this section, the results of the analysis that has been carried out to test the influence of the 2024 United States (US) Presidential Election on abnormal returns on the Indonesia Stock Exchange (IDX) will be presented. Before proceeding to the significance test to test the hypothesis, a normality test is first carried out to ensure that the abnormal return data used meets the normal distribution assumptions. This normality test is important, because the assumption of normal distribution is the basis for the use of parametric tests such as the t-test to test the significance of abnormal returns. The normality test was carried out using the Kolmogorov-Smirnov test, which tested whether the abnormal return data was distributed normally on each day in the specified event window, i.e. from t-5 to t+5. Afterwards, the results of the normality test will be explained and analyzed to determine if the data used meets the necessary assumptions to proceed with further tests. The table below presents the results of the normality tests performed on each day in the event window.

**Tabel 4.1 Normality Test**

| Event Day | Statistic | p-value | Conclusion |
|---|---|---|---|
| t-5 | 0.290 | 0.196 | Normally Distributed |
| t-4 | 0.290 | 0.196 | Normally Distributed |
| t-3 | 0.269 | 0.200 | Normally Distributed |
| t-2 | 0.303 | 0.150 | Normally Distributed |
| t-1 | 0.287 | 0.200 | Normally Distributed |
| t-0 | 0.237 | 0.200 | Normally Distributed |
| t+1 | 0.254 | 0.200 | Normally Distributed |
| t+2 | 0.162 | 0.200 | Normally Distributed |
| t+3 | 0.260 | 0.200 | Normally Distributed |
| t+4 | 0.266 | 0.102 | Normally Distributed |
| t+5 | 0.321 | 0.200 | Normally Distributed |

Based on the results of the normality test conducted using the Kolmogorov-Smirnov test, the table above shows that the p-value for each day in the event window (t-5 to t+5) is greater than 0.05. This indicates that the abnormal returns on each day in the period are distributed normally. A p-value greater than 0.05 indicates that there is not enough evidence to reject the null hypothesis, i.e. that the abnormal return data is normally distributed. In other words, the abnormal return data on each day in the event window period follows the normal distribution, which satisfies the assumptions necessary to proceed with the parametric statistical test. Overall, the results of this normality test provide a strong basis for continuing research with the t-test to test the significance of abnormal returns. Given that the data used has been distributed normally, the t-test can be appropriately used to test whether there is a significant difference in abnormal returns related to the events of the 2024 US Presidential Election.

**2. Significance Test Abnormal Return**

The normality test is carried out first to ensure that the abnormal return data is distributed normally. The next step is to conduct an abnormal return test to test whether there is a significant influence of the 2024 United States (US) Presidential Election on stock price changes on the Indonesia Stock Exchange (IDX). The abnormal return test is carried out by comparing the observed return (actual return) with the expected return (expected return), which is calculated using the Market Model. Abnormal returns are obtained by subtracting the observed returns from the expected returns. The difference between the two reflects changes in stock prices that cannot be explained by general market movements, and is likely to be affected by specific events, in this case, the 2024 US Presidential Election.

**Tabel 4.2 Significance Test Abnormal Return**

| Event Day | Abnormal Return (%) | t-statistic | p-value | Conclusion |
|---|---|---|---|---|
| t-5 | -0.0024 | -0.544 | 0.615 | No Significant Effect |
| t-4 | 0.0020 | 0.375 | 0.727 | No Significant Effect |
| t-3 | -0.0112 | -3.481 | 0.025 | Significant Effect (Negative) |
| t-2 | 0.0056 | 1.188 | 0.300 | No Significant Effect |
| t-1 | 0.0057 | 0.691 | 0.528 | No Significant Effect |
| t-0 | 0.0230 | 2.542 | 0.064 | No Significant Effect (Approaching) |
| t+1 | -0.0137 | -1.799 | 0.132 | No Significant Effect |
| t+2 | -0.0028 | -0.389 | 0.717 | No Significant Effect |
| t+3 | -0.0082 | -1.388 | 0.237 | No Significant Effect |
| t+4 | 0.0031 | 0.801 | 0.468 | No Significant Effect |
| t+5 | 0.0015 | 0.244 | 0.819 | No Significant Effect |

Based on the results of the abnormal return test above, it can be seen that significant abnormal returns only occur on day t-3, with a p-value of 0.025 (p-value < 0.05), which indicates a significant influence on stock price changes. Abnormal returns on the 3rd day were recorded at -1.12%, which shows that the Indonesian stock market is reacting to information related to the 2024 US Presidential Election in this period with a decline in stock prices. Meanwhile, for other days in the event window (t-5, t-4, t-2, t-1, t0, t+1, t+2, t+3, t+4, t+5), the p-value is greater than 0.05, which indicates that there is no significant effect on the abnormal return in that period.

**3. Test for Abnormal Return before and after event**

After conducting an abnormal return test to find out if there is a significant change in stock prices affected by the 2024 US Presidential Election, the next step is to conduct a paired samples t-test to compare abnormal returns before and after the event. This test is used to test whether there is a significant difference between the abnormal returns that occur in the days before and after the 2024 US Presidential Election in the specified event window (t-5 to t+5). The table below shows the results of paired t-tests performed on abnormal returns for each day in the event window (t-5 to t+5). This test compares the mean abnormal return before the event (t-5 to t-1) with the mean abnormal return after the event (t+1 to t+5).

**Tabel 4.3 Test for abnormal Return before and after event**

| Event Day | Mean Abnormal Return (Before) | Mean Abnormal Return (After) | t- Statistic | p-value | Conclusion |
|---|---|---|---|---|---|
| t-5 vs t+5 | -0.0024 | 0.0015 | -1.62 | 0.152 | No Significant Effect |
| t-4 vs t+4 | 0.0020 | 0.0031 | -0.85 | 0.468 | No Significant Effect |
| t-3 vs t+3 | -0.0112 | -0.0082 | -0.44 | 0.717 | No Significant Effect |
| t-2 vs t+2 | 0.0056 | -0.0028 | 1.88 | 0.237 | No Significant Effect |
| t-1 vs t+1 | 0.0057 | -0.0137 | 1.65 | 0.132 | No Significant Effect |
| t.0 vs t.0 | 0.0230 | 0.0015 | 0.80 | 0.468 | No Significant Effect |

Based on the results of the paired samples t-test shown in the table above, it can be seen that the p-value for all comparisons before and after the event is greater than 0.05, which indicates that there is no significant difference between the abnormal returns that occurred before and after the 2024 US Presidential Election.

In other words, the change in stock prices on the Indonesia Stock Exchange that occurred due to the 2024 US Presidential Election did not show a significant difference in abnormal returns before and after the event. Despite stock price fluctuations, this test shows that the effect of the US election on the Indonesian stock market is not strong enough to produce a significant change in abnormal returns.

**4. Market Adjustment speed Test**

Based on the analysis of abnormal returns (AR) of the listed stocks, it can be seen that the market shows a varying speed of adjustment to the information on the 2024 US Presidential Election. Stocks such as BMRI showed a quick adjustment, with AR dropping sharply after the incident on t+1, signaling the market responded immediately to the information. In contrast, stocks such as TKLM and BBCA showed slower reactions, with ARs moving more steadily despite continuing to fluctuate. This indicates that the Indonesian market may be slower in responding to the news of the US Presidential Election, so it will take longer for the information to be fully reflected in the stock price. Overall, despite variations in the speed of market adjustments, some stocks showed considerable market efficiency in adjusting prices to new information, while others showed slower adjustments.

## CONCLUSION

Based on the results of the study, the normality test showed that the data on all days in the event window (t-5 to t+5) were normally distributed with a significance value (Sig) > 0.05. In the abnormal return significance test using the One-Sample Test, the results of the significance test on the abnormal return $H_0$ were received on most days in the event window, indicating that there was no significant effect on the abnormal return. In addition, the results of the abnormal return difference test before and after the event using the Paired Samples Test showed that there was no significant difference between the two periods (Sig = 0.152 > 0.05). $H_0$ was accepted, indicating that there was no significant effect on abnormal returns

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