

Abstract

In recent years, political news has been the primary factor in determining the direction of financial markets. A significant amount of academic study has been carried out to investigate the effect of politics on the value of assets. In every democratic state, politics greatly affect stock market performance because political conditions are directly or indirectly connected with stock market performance. Pakistan is a democratic state, and every elected government makes economic policies according to their own preferences; therefore, this research has been conducted to see the political effect on asset prices in Pakistan. The purpose of this study is to determine the existence of market efficiency anomalies that contradict the efficient market hypothesis in the Pakistan Stock Market and the asset prices of firms registered at the Pakistan Stock Exchange. The research looked at nine significant political events in Pakistan. The study results conclude that Thursday and Friday had a significant negative impact on stock returns which confirms the first hypothesis that Market anomalies on weekdays have a significant impact on asset prices. The empirical study demonstrates that The Prime Minister Accusation Relating to the Panama Leaks, the New Chief of Army Staff appointment (COAS), the Creation of a joint investigation team, the Former Prime Minister granted Bail to Receive Medical Care, and Political Meeting of Pakistan Democratic Movement has shown a significant positive impact on stock return. Still, Pakistan Tehreek-e-Insaf led a protest march and rally at Raiwind, Prime Minister Nawaz Sharif resigned, Pakistan Tehreek-e-Insaf Election Success, and PAF sank Indian fighter line of control occasioned negative stock showed a significant negative impact on stock return. The results show that five political movements have a significant positive impact. The study uncovered diverse data on political occurrences showing that each political event has repercussions based on its character and magnitude. To prevent negative shocks of unfavorable occurrences on the stock market, policymakers should adopt a stabilized vision of both political and economic prospects.