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Stock Market Reaction to the 2025 Finance Minister Change: Abnormal Return, Trading Volume, and Frequency in LQ-45

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Abstract

The Indonesian capital market is sensitive to political and economic events, particularly changes in key government positions that affect investor expectations. This study aims to analyze the stock market reaction to the announcement of the change of the Minister of Finance of the Republic of Indonesia in 2025, focusing on abnormal returns, trading volume activity, and stock trading frequency. The study examines 45 companies included in the LQ-45 index and listed on the Indonesia Stock Exchange, using an 11-day observation period from T-5 to T+5. Using a quantitative approach, this study analyzed secondary data consisting of daily stock prices, shares outstanding, trading volume, and trading frequency through one-sample and paired-sample t-tests. The results of the one-sample t-test indicate significant abnormal returns during the event period, confirming that the market reacted to the announcement. However, the paired-sample t-test shows no significant differences in abnormal return, trading volume activity, or stock trading frequency between the periods before and after the announcement. These findings indicate that the market reaction was temporary and did not persist after the event. The study contributes empirical evidence that political announcements can generate short-term market reactions, while investors should consider corporate fundamentals and macroeconomic conditions in investment decisions.

Keywords

Abnormal Return, Finance Minister Change, LQ-45 Index, Stock Market Reaction, Trading Volume Activity.

1. Introduction

The capital market plays an important role as a source of corporate financing and an investment instrument, with stock prices reflecting investors' expectations and available information (Permana, 2022; Akhyati & Abdulloh, 2023). Shares represent ownership in a company and provide investors with opportunities for future returns (Fakhiryah & Komara, 2024). As an intermediary between investors and companies, the capital market also involves a trade-off between risk and potential return (Dewi & Komara, 2024). In an efficient market, information is rapidly incorporated into stock prices, making changes in stock returns and trading activity important indicators of investors' responses to particular events (Husain, 2023). Such responses may be triggered not only by economic conditions but also by political events that influence expectations regarding economic and fiscal policies (Arifuddin et al., 2025).

A political event was Indonesia's Finance Minister replacement on September 8, 2025, when President Prabowo Subianto appointed Purbaya Yudhi Sadewa to replace Sri Mulyani Indrawati through Decree Number 86/P of 2025. The transition attracted attention because the Finance Minister shapes fiscal policy and investor confidence, while Sri Mulyani's reputation for fiscal discipline heightened expectations regarding policy (Listiyanto, 2025). Political events can generate signals, as shown by the positive response to Erick Thohir's appointment (Baktyarina & Purnamawati, 2020) and the negative response to the Advanced Indonesia Cabinet reshuffle (Budastra et al., 2022). Following the replacement, the LQ-45 index declined 2.03%, and transaction value reached IDR 24.8 trillion (Primantoro & Kurnia, 2025). The LQ-45 is relevant because it comprises 45 liquid, large-capitalization companies with strong fundamentals (Situmorang et al., 2026). Investor responses may depend on expectations of policies (Madjid, 2025; Natalia, 2025), motivating examination of the announcement's stock market reaction to an event.

Market reaction can be assessed through abnormal return, trading volume activity (TVA), and stock trading frequency. Abnormal return represents the difference between actual and expected returns and is widely used to identify market reactions to information or events (Halimatusyadiyah, 2020). When an announcement contains relevant information, investors may adjust their decisions, causing changes in stock prices and abnormal returns (Lasano et al., 2021). Abnormal returns may also emerge in response to political uncertainty and other market conditions. Positive abnormal returns generally indicate favorable market responses, whereas negative abnormal returns reflect unfavorable responses (Aidhaningtyas & Purwanto, 2023). TVA provides another measure of market reaction by reflecting trading intensity and investors' responses to information. Changes in trading volume may indicate differences in investor interest and perceptions of whether information represents good or bad news (Setyowati & Hariyati, 2022). TVA may increase following favorable information as investors intensify stock purchases (Leni & Yanti, 2023). Meanwhile, trading frequency reflects the number of stock transactions and indicates market activity and liquidity (Sambuuri et al., 2020; Suwandi et al., 2023). Higher trading frequency is generally associated with stronger stock demand and price movements (Khoirayanti & Sulistiyo, 2020).

Previous research, however, has produced inconsistent evidence regarding market reactions to political and non-economic events. For abnormal returns, Subekti and Rahmawati (2020), Setyowati and Hariyati (2023), and Bangun and Arnita (2024) reported no significant differences surrounding Islamic religious events, the US-China trade war, and general elections, respectively. In contrast, Kango et al. (2020), Rochimah and Yuliana (2024), and Gunawan and Sembiring (2024) found significant changes following political events and the launch of the

Indonesia Carbon Exchange. Similar inconsistencies are found for TVA, with insignificant results reported by Subekti and Rahmawati (2020) and Setyowati and Hariyati (2023), while Sunardi et al. (2023), Rochimah and Yuliana (2024), and Akhyati and Abdulloh (2023) identified significant changes following policy and political events. For trading frequency, significant differences were reported by Kango et al. (2020), Veronica and Ida (2023), and Saputra et al. (2021), whereas Yulianti et al. (2022a) found no significant change.

These mixed findings indicate that market reactions depend on the type, context, and information content of an event. Based on previous research and the facts discussed, this study aims to conduct an event study to examine the capital market's reaction to the replacement of the Minister of Finance on September 8, 2025, by analyzing differences in abnormal returns, trading volume activity, and stock trading frequency during the periods before and after the event.

2. Literature Review and Hypothesis Development

2.1. The Effect of Abnormal Return

Abnormal returns represent the excess of actual returns over normal or expected returns and can be used to identify the market's reaction to information contained in an event (Jogiyanto, 2017; Hafidz & Isbanah, 2020). When an announcement contains relevant information, it is expected to generate abnormal returns as investors adjust their decisions in response to new information received by the market (Lasano et al., 2021). Thus, differences in abnormal returns before and after an event can indicate whether the event contains information that influences investor behavior. Supporting this view, Caca et al. (2022) found significant differences in abnormal returns before and after policy announcements, suggesting that market reactions can be identified through changes in abnormal returns.

Previous research has shown that various economic, political, and regulatory events can generate abnormal returns. Kango et al. (2020) and Veronica and Ida (2023) found significant abnormal returns surrounding the inauguration of the Advanced Indonesia Cabinet and the deletion of the broker code, respectively. Similarly, Rochimah and Yuliana (2024) and Gunawan and Sembiring (2024) reported significant changes in abnormal returns following political events and the launch of the Indonesia Carbon Exchange. Yulianti et al. (2022b) also identified abnormal returns in Indonesia, Malaysia, Singapore, and Thailand during the COVID-19 pandemic. These findings suggest that market reactions may occur when events convey information that is relevant to investors.

H1: There is a significant abnormal return around the announcement of the replacement of the Minister of Finance in the LQ-45 Index stock group.

H2: There is a significant difference in abnormal returns before and after the announcement of the replacement of the Minister of Finance in the LQ-45 Index stock group.

2.2. The Effect of Trading Volume Activity

Trading Volume Activity (TVA) reflects the level of investor interest in buying and selling stocks in response to information entering the market (Halimatusyadiyah, 2020). It represents the number of shares traded within a given period and serves as an instrument for assessing market reactions through trading volume (Pramana & Mawardi, 2012). When an event contains relevant information, changes in trading volume can indicate how investors respond to the information (Halimatusyadiyah, 2020). Leni and Yanti (2023) argue that TVA tends to increase when an event conveys good news, as investors are more likely to purchase than sell stocks. Furthermore, an increase in trading volume accompanied by rising stock

prices indicates strong buying interest among investors. Empirically, Hidayat (2019) found significant differences in trading volume before and after a policy announcement, while Saputra et al. (2021) also reported significant differences in TVA and stock trading frequency following an announcement.

Previous studies further demonstrate that market events can significantly affect TVA. Veronica and Ida (2023), Sunardi et al. (2023), and Saputra et al. (2021) found significant differences in trading volume following the removal of the broker's code, the announcement of the Domestic Market Obligation (DMO) coal price policy, and the announcement of the first COVID-19 case, respectively. Similarly, Rochimah and Yuliana (2024) identified significant changes in TVA in several sectors following political events in 2023, while Akhyati and Abdulloh (2023) found significant differences before and after the coal export ban. These findings suggest that information contained in various market events can influence investor trading activity and generate measurable changes in trading volume.

H3: There is a difference in trading volume activity before and after the announcement of the replacement of the Minister of Finance in the LQ-45 Index stock group.

2.3. The Effect of Stock Trading Frequency

The frequency of stock trading reflects how often buying and selling transactions occur within a given period and serves as an indicator of market activity and liquidity (Sari & Dewi, 2021). A higher trading frequency indicates that a stock is actively traded, which generally reflects greater liquidity and investor participation in the capital market. Changes in trading frequency may also indicate how investors respond to information released through market events. When investors perceive an event as relevant, their trading decisions may increase transaction frequency as they adjust their portfolios to new information. Therefore, trading frequency can be used to identify changes in investor activity surrounding important economic, political, and corporate events.

Previous studies have demonstrated that market events can significantly influence stock trading frequency. Kango et al. (2020) found significant differences in trading frequency around the inauguration of the Advanced Indonesia Cabinet. Similarly, Veronica and Ida (2023) reported significant differences following the removal of the broker's code, while Saputra et al. (2021) identified significant differences before and after the announcement of the first COVID-19 case in Indonesia. In addition, Akhyati and Abdulloh (2023) found a significant difference in trading frequency following the coal export ban. These findings indicate that information contained in both economic and non-economic events can alter investor trading behavior. Accordingly, changes in stock trading frequency can provide evidence of market reactions to information and reflect shifts in investor participation and market liquidity surrounding significant events.

H4: There is a difference in the frequency of stock trading before and after the announcement of the replacement of the Minister of Finance in the LQ-45 Index stock group.

3. Methods

This study employs a quantitative approach with descriptive and comparative methods to examine stock market reactions to the replacement of the Minister of Finance through abnormal returns (AR), Trading Volume Activity (TVA), and stock trading frequency before and after the event (Sugiyono, 2018). The research focuses on companies in the LQ-45 Index of the Indonesia Stock Exchange (IDX), selected

because they are highly liquid and actively traded, making them suitable for capturing market reactions to new information. All variables are measured using a ratio scale. The population comprises 45 LQ-45 companies, with samples selected through purposive sampling based on four criteria: (1) inclusion in the LQ-45 Index during August–October 2025; (2) no corporate actions, such as stock splits, rights issues, or stock dividends; (3) active trading throughout the event window; and (4) complete data availability. These criteria help minimize confounding effects and ensure data completeness. A five-day pre- and post-event window is used to capture the immediate market response while limiting the influence of unrelated events (Anugroho & Fatah, 2025).

This study uses secondary time-series data obtained from publicly accessible official sources. Information on LQ-45 constituents and company data is obtained from the IDX website, while daily stock prices, trading volume, shares outstanding, and trading frequency are collected from the IDX and Yahoo Finance. The data comprise the LQ-45 constituent list, the announcement date of the Minister of Finance replacement, daily closing prices of individual LQ-45 stocks, daily closing prices of the Jakarta Composite Index (JCI) as the market benchmark, daily trading volume, shares outstanding, and trading frequency. Data are collected for five trading days before and after the event, with the announcement date designated as T_0 . Trading Volume Activity (TVA) is measured as the number of shares traded divided by shares outstanding in period t . Stock trading frequency is measured by the number of buying and selling transactions for each stock during the observation period (Alwi et al., 2022). Abnormal Return (AR) is calculated as actual return minus expected return (Shabila et al., 2022). Actual return is calculated as $R_{it} = (P_{it} - P_{it-1}) / P_{it-1}$, while expected return uses the market-adjusted model, $E(R_{it}) = R_{mt}$. Thus, $AR_{it} = R_{it} - E(R_{it})$.

The analysis begins with descriptive statistics to summarize AR, TVA, and trading frequency. A Kolmogorov–Smirnov normality test is then conducted to determine whether the data meet the assumptions required for parametric testing. A one-sample t-test is employed to determine whether abnormal returns around the announcement are statistically different from zero, thereby identifying whether the event generates significant abnormal returns. A paired-sample t-test is used to examine whether AR, TVA, and trading frequency differ significantly before and after the announcement. This test is appropriate because the observations before and after the event are obtained from the same companies, creating paired observations. The paired-sample t-test is applied when the normality assumption is satisfied. All statistical analyses are performed using IBM SPSS Statistics version 27, with a significance level of 5% ($\alpha = 0.05$).

4. Results

The statistical analysis was conducted to assess whether the event resulted in differences in the observed variables. The comparison was made between the periods before and after the replacement of the Minister of Finance to determine whether the event was associated with changes in market conditions.

Table 1. Variable Average

Variable	Before The Event	During Events	After The Event
Abnormal Return	T-5 = -0.02117	-0.01389	T+5 = -0.00462
	T-4 = 0.006818		T+4 = -0.01051
	T-3 = 0.02545		T+3 = -0.00035
	T-2 = -0.00574		T+2 = 0.02371
	T-1 = -0.00731		T+1 = 0.005482
Trading Volume Activity	T-5 = 0.00199	0.00215	T+5 = 0.00138
	T-4 = 0.00221		T+4 = 0.00149
	T-3 = 0.00171		T+3 = 0.00177
	T-2 = 0.00180		T+2 = 0.00141
	T-1 = 0.00164		T+1 = 0.00227
Stock Trading Frequency	T-5 = 12.791	13.523	T+5 = 10.293
	T-4 = 15.876		T+4 = 10.326
	T-3 = 11.321		T+3 = 11.402
	T-2 = 11.720		T+2 = 9.250
	T-1 = 8.091		T+1 = 18.180

Table 1 shows that average abnormal returns fluctuated throughout the five days before and after the replacement of the Minister of Finance. Before the event, abnormal return was negative at T-5 (-0.02117), increased to a positive value at T-4 (0.006818), and reached its highest level at T-3 (0.02545). It then declined to -0.00574 at T-2 and -0.00731 at T-1. Following the event, abnormal return increased to 0.005482 at T+1 and 0.02371 at T+2, before declining to -0.00035 at T+3 and -0.01051 at T+4. At T+5, abnormal return increased slightly to -0.00462 but remained negative. A positive abnormal return indicates that the actual return exceeds the expected return, whereas a negative abnormal return indicates that the actual return is below the expected return.

TVA also fluctuated throughout the observation period. Before the event, TVA increased from 0.00199 at T-5 to 0.00221 at T-4, then declined to 0.00171 at T-3, increased to 0.00180 at T-2, and decreased again to 0.00164 at T-1. During the event, TVA was 0.00215. After the event, TVA increased to 0.00227 at T+1, declined to 0.00141 at T+2, and increased again to 0.00177 at T+3. It subsequently decreased to 0.00149 at T+4 and 0.00138 at T+5. These fluctuations indicate changes in the level of trading activity among LQ-45 stocks surrounding the replacement of the Minister of Finance.

Stock trading frequency likewise fluctuated during the observation period. Before the event, trading frequency was 12.791 transactions at T-5, increased to 15.876 at T-4, and declined to 11.321 at T-3. It then increased slightly to 11.720 at T-2 before declining to 8.091 at T-1. During the event, trading frequency reached 13.523 transactions. After the event, it increased sharply to 18.180 at T+1, declined to 9.250 at T+2, and increased again to 11.402 at T+3. It subsequently decreased to 10.326 at T+4 and 10.293 at T+5. The results indicate considerable fluctuations in stock trading frequency around the event, with the highest trading activity occurring at T+1.

Table 2. Descriptive Statistic

Variable	Period	N	Minimum	Maximum	Average	Std. Deviation
Abnormal Return	Before	5	-0.02117	0.02545	-0.0003884	0.01751986
	After	5	-0.01051	0.02371	0.0027430	0.01310025
Trading Volume Activity	Before	5	0.00164	0.00210	0.0018724	0.00023234
	After	5	0.00138	0.00227	0.0016621	0.00037191
Stock Trading Frequency	Before	5	8,091	15,876	11,959.80	2,804.492
	After	5	9,250	18,180	11,890.20	3,697.511

Based on Table 2, the observation period covers five trading days before and five trading days after the replacement of the Minister of Finance on September 8, 2025. The abnormal return had an average value of -0.0003884 before the event, with a standard deviation of 0.01751986. After the event, the average abnormal return increased to 0.0027430, while the standard deviation decreased to 0.01310025. These results indicate that the average abnormal return was higher after the event, accompanied by lower dispersion. Before the event, the lowest abnormal return occurred at T-5 (-0.02117), while the highest occurred at T-3 (0.02545). After the event, the lowest abnormal return was recorded at T+4 (-0.01051), while the highest occurred at T+2 (0.02371).

Trading Volume Activity (TVA) had an average value of 0.0018724 before the event, with a standard deviation of 0.00023234. After the event, the average TVA decreased to 0.0016621, while its standard deviation increased to 0.00037191. These results indicate that trading volume activity was higher before the replacement of the Minister of Finance, whereas the dispersion of TVA increased after the event. Before the event, the lowest TVA occurred at T-1 (0.00164), while the highest occurred at T-4 (0.00210). After the event, the lowest TVA was recorded at T+5 (0.00138), while the highest occurred at T+1 (0.00227).

Meanwhile, stock trading frequency had an average value of 11,959.8 before the event, with a standard deviation of 2,804.492, compared with an average of 11,890.20 and a standard deviation of 3,697.511 after the event. This indicates that the average stock trading frequency was slightly higher before the event, while its dispersion increased after the replacement of the Minister of Finance. Before the event, the lowest trading frequency occurred at T-1 (8,091), while the highest occurred at T-4 (15,876). After the event, the lowest trading frequency was recorded at T+2 (9,250), while the highest occurred at T+1 (18,180).

Table 3. Normality Test

Variable	Time Period	Asymp. Sig. (2-tailed)	α	Conclusion
Abnormal Return	5 Days Before	0.200	0.05	Normal Distribution
	5 Days After	0.200	0.05	Normal Distribution
Trading Volume Activity	5 Days Before	0.200	0.05	Normal Distribution
	5 Days After	0.200	0.05	Normal Distribution
Stock Trading Frequency	5 Days Before	0.200	0.05	Normal Distribution
	5 Days After	0.113	0.05	Normal Distribution

Based on Table 3, the results of the normality test show that the average difference in abnormal returns, trading volume activity, and stock trading frequency before and after the replacement of the Minister of Finance is normally distributed, because all probability values exceed 0.05. Abnormal returns have a probability value of 0.200 both before and after the event, while trading volume activity also records a value of 0.200 for both periods. Meanwhile, the frequency of stock trading obtained a probability value of 0.200 before the event and 0.113 after the event. Therefore, all variables meet the assumption of normality, allowing hypothesis testing to be carried out using the one-sample t-test to check the significance of each variable and the paired sample t-test to check the difference in average values before and after the event of the replacement of the Minister of Finance.

Table 4. Test Results of One-Sample T-Test: Average Abnormal Return

No.	Time Period	Average Abnormal Return	P-Value	α	Conclusion
1	T-5	-0.02117	0.001	0.05	Significant
2	T-4	0.006818	0.021	0.05	Significant
3	T-3	0.02545	0.001	0.05	Significant
4	T-2	-0.00574	0.150	0.05	Insignificant
5	T-1	-0.00731	0.050	0.05	Significant
6	T0	-0.01389	0.001	0.05	Significant
7	T+1	0.005482	0.097	0.05	Insignificant
8	T+2	0.02371	0.001	0.05	Significant
9	T+3	-0.00035	0.925	0.05	Insignificant
10	T+4	-0.01051	0.001	0.05	Significant
11	T+5	-0.00462	0.138	0.05	Insignificant

The one-sample t-test was carried out to determine whether abnormal returns occurred around the event of the replacement of the Minister of Finance. Based on Table 4, during the five days prior to the event, significant negative abnormal returns were observed on T-5 and T-1, while significant positive abnormal returns occurred on T-4 and T-3. At T-2, a negative but insignificant abnormal return was observed. On the day of the event (T0), a significant negative abnormal return was recorded. During the five days after the event, a significant positive abnormal return occurred at T+2, followed by a significant negative abnormal return at T+4. Meanwhile, negative but insignificant abnormal returns were observed at T+3 and T+5, while a positive but insignificant abnormal return occurred at T+1.

Table 5. Paired Sample T-test

Variable		Time Period	P-value	α	Conclusion
Abnormal Return		5 days before and 5 days after	0.747	0.05	There is no significant difference
Trading Activity	Volume	5 days before and 5 days after	0.316	0.05	There is no significant difference
Stock Frequency	Trading	5 days before and 5 days after	0.974	0.05	There is no significant difference

Based on Table 5, the p-value for the five days before and five days after the event of the replacement of the Minister of Finance is $0.747 > 0.05$. Therefore, the null hypothesis is accepted, indicating that there is no significant difference in abnormal returns before and after the event of the replacement of the Minister of Finance. The same result is also shown for trading volume activity, with a p-value of $0.316 > 0.05$. Therefore, the null hypothesis is accepted, indicating that there is no significant difference in trading volume activity before and after the event. Meanwhile, stock trading frequency has a p-value of $0.974 > 0.05$. Thus, the null hypothesis is accepted, indicating that there is no significant difference in stock trading frequency before and after the event of the replacement of the Minister of Finance.

5. Discussion

The results show that the replacement of the Minister of Finance generated significant abnormal returns on several days within the event window, namely T-5, T-4, T-3, T-1, T0, T+2, and T+4. This finding indicates that the announcement contained information relevant to investors and triggered market reactions. Significant abnormal returns before the announcement suggest that some investors may have obtained or anticipated information regarding the cabinet reshuffle before its official disclosure. The reaction was particularly evident on T-1, possibly reflecting news about the reshuffle circulating prior to the announcement, which

encouraged investors to adjust their positions in anticipation of the policy change. Natalia (2025) reported that market sentiment following the reshuffle was mixed because investors awaited clearer policy direction. The appointment could generate positive sentiment if perceived as an opportunity for new policies, but could also create uncertainty regarding fiscal policy direction.

The significant abnormal return on T0 indicates that the market immediately responded to the official announcement, supporting the semi-strong form of market efficiency, whereby stock prices incorporate publicly available information when released (Tandelilin, 2020). Putra and Lubis (2022) similarly found that the capital market responds to incoming information through adjustments in security prices toward equilibrium values. The significant abnormal return on T+2 may also reflect the emergence of positive sentiment toward Purbaya following his appointment. Statements from former President Jokowi regarding Purbaya's competence and suitability to lead the Ministry of Finance may have strengthened investor optimism regarding the potential for more pro-growth policies. However, the absence of significant abnormal returns on T+1, T+3, and T+5 indicates that the market reaction was not continuous or uniform throughout the event window. Similar findings were reported by Kango et al. (2020) around the inauguration of the Advanced Indonesia Cabinet, Veronica and Ida (2023) following the removal of the broker's code, Yulianti et al. (2022b) around the initial COVID-19 announcement, and Rochimah and Yuliana (2024) following political events in 2023. These findings indicate that political information can generate market reactions, although the intensity and timing of the response may vary.

Despite significant abnormal returns on several event days, the paired-sample test indicates no significant difference in abnormal returns before and after the ministerial replacement. This suggests that the event generated short-term reactions but did not create a sufficiently strong or sustained change in abnormal returns between the two periods. Investors may have adopted a wait-and-see approach while assessing the implications of the new minister's policies and broader economic conditions (Biggy & Jao, 2019). This result is consistent with Subekti and Rahmawati (2020), who found no significant difference in abnormal returns surrounding major Islamic religious events, and who reported similar findings during the US-China trade war.

The results also show no significant difference in Trading Volume Activity (TVA) before and after the announcement. This indicates that the event did not substantially alter investors' buying and selling activity, suggesting that investors may have waited for clearer information before making significant transactions (Nida et al., 2020). This finding is consistent with Indriani and Mariana (2021), who found no significant difference in TVA around the 2018 Asian Games, and Rentini and Herawati (2020), who reported similar results following the 2019 student demonstrations among LQ-45 stocks.

Similarly, stock trading frequency did not differ significantly before and after the event, indicating that the ministerial replacement did not substantially increase investor participation or trading activity. This finding is consistent with Wibowo and Darmanto (2019), who found no significant difference in trading frequency around the presidential election quick count, and Biggy and Jao (2019) and Pratiwi and Suryono (2020), who reported similar results surrounding the Annual Report Award. The limited change may reflect investors' familiarity with blue-chip LQ-45 stocks and their tendency to wait for clearer information before increasing trading activity. The findings suggest that the ministerial replacement generated temporary price reactions but did not produce sustained changes in abnormal returns, trading volume, or trading frequency.

6. Conclusion

This study examines the stock market reaction to the replacement of the Minister of Finance using abnormal returns (AR), Trading Volume Activity (TVA), and stock trading frequency among LQ-45 companies listed on the Indonesia Stock Exchange (IDX). The results indicate that the event generated significant abnormal returns on several days before and after the announcement, suggesting that investors incorporated information related to the ministerial replacement into stock prices. However, no significant differences were found in AR, TVA, or stock trading frequency between the pre- and post-event periods. Thus, the replacement generated a temporary market reaction but did not produce a sustained change in investor behavior or trading activity.

These findings have implications for investors, companies, and policymakers. Investors should consider political information as part of investment decisions but avoid relying solely on short-term market sentiment. Fundamental analysis and credible information sources remain important for assessing investment opportunities. For LQ-45 companies, the findings highlight the importance of considering market conditions and potential volatility surrounding major political events when determining the timing of corporate actions, such as rights issues and financing decisions.

This study has several limitations. First, the five-day event window may not capture medium- or long-term market effects. Second, the sample is limited to LQ-45 companies, so the findings may not be generalizable to less-liquid stocks on the IDX. Future research should therefore extend the observation period, include other sectors or broader market indices, and incorporate additional indicators such as stock return volatility, bid-ask spreads, and market capitalization. Future studies may also compare the market-adjusted model with alternative approaches to provide more comprehensive evidence of market reactions to political events.

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