2nd World Conference on Management, Business, and Finance

05-07 July 2024 Istanbul, Turkey

Does Political Stability Affect the Stock Market Performance? A Worldwide Outlook

Nader Alber[1*], Mansour Abdelrhim[2], Mahmoud Farouh[3]

[1] Professor of Finance, Faculty of Business, Ain Shams University, Cairo, Egypt
[2] Assistant Professor of Finance, Al Wadi High Institute for Administrative and Financial Science, Egypt
[3] Assistant Professor of Finance, School of Business, Nile University, Egypt

Abstract

This study examines the impact of political stability on market price performance across countries from four continents: Europe, the Americas, Asia, and Africa, using a quantitative research approach. The sample includes ten countries from each continent, selected based on World Bank classifications, for the period 20082022. The analysis involves independent variables such as political stability, GDP per capita, foreign direct investment (FDI), and inflation rate, measured according to World Bank standards. The research tests the hypothesis that political stability has no significant impact on stock market prices when controlling for these economic indicators. The results indicate that political stability alone has a minimal impact on market prices in Europe and Africa, but its significance increases when combined with GDP per capita and FDI. In the Americas and Asia, political stability shows a more obvious impact, especially when combined with other economic factors. Overall, the findings have highlighted that while political stability is important, economic indicators like GDP per capita and FDI play a crucial role in influencing market prices across all regions.

Keywords: Panel Data, Political Stability, Stock Market

Performance. JEL Classification: G10, G15, E44, O16, C33, F21