



Event Study and Impulse Indicator Saturation Analysis to Assess Reaction of Terrorist and Political Events: Evidence from Oil and Gas Sector of Pakistan

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Abstract

The objective of this study is twofold, first, to assess the impact of terrorist attacks and political events on returns and volatility oil and gas sector of Karachi Stock Exchange from the period of 2004 to 2014. Second, to compare the results of these events applying event study methodology, event dummy analysis and impulse indicator saturation. Results indicate that the oil and gas sector reacts on the occurrence of terrorism and political events and the results of two methodologies event study and event dummy analysis are almost similar. However, impulse indicator saturation is able to provide better results in comparison to event study and event dummy analysis because as it captures all breaks and co-breaks within a sample period, moreover it clearly helps in defining rebounding period of the market.

Keywords: terrorist attacks, political event, volatility, event study, impulse indicator saturation, rebound period, Pakistan Stock Exchange.

JEL Classification Codes: G12, G 14

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