

Impact of CPEC, Panama Leak and Surgical Strike on Stock Market

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ABSTRACT

This study examines the impact of recent mega-events which include leak of panama papers, CPEC and surgical Strike on stock returns of public listed firms of China, Pakistan, India, Saudi Arabia, US and Uk. Event study is used as the research methodology to investigate reaction of stock market returns on events defined as announcement date. The sample of the study includes stock returns of multiple countries from January 2014 to October 2016. Because china Pakistan Economic Corridor is playing the frontline role for the development of china Pakistan and other countries associated with. Further firms functioning in corrupt countries especially in those where high-ranked politicians and government representatives were involved by name in the leaked data and surgical strike announcement by the India on Pakistan that represent diversified experience. The results of the study highlight that stock returns of some countries responds significantly to some of these events and some events don't have any significant relationship with stock returns. The findings of the research study have implications for investor and managers.

Key words: *CPEC, surgical Strike, Tax Havens, Offshore Vehicle. Stock return, CAR*

Introduction

Looking back to the recent mega-events which included CPEC, Surgical Strike and Panama leagues, with the remarkable memoirs of the active and intense struggle or involvement scenes, represent dynamic topic and the most important need to be concerned regarding the investment opportunities. This paper aims to examine the impact of stock market response of multiple countries, where three events CPEC, Surgical Strike and Panama leagues, are being happened or someway linked. In this chapter, firstly we would define the events. Next, the stimulus of this Paper would be presented, which is being followed by structure of this paper. Specific events have intense impact on demonstrating macroeconomic and financial Structure. This category of event comprises, for example, wars, financial slumps, changes of political regime, Fraudulent activities, oil shocks natural disasters, terror, criminal activities etc. Darné and Diebolt (2004) Fomby (1994).

The central point of this research proposal is to study the impact of CPEC agreement, Surgical Strike and Panama leaks in term of time and its significance with respect to the daily price index (PI). Following countries are used US (S&P 500) China (SSE index) Pakistan (kse 100) United Kingdom (FTSE 100) India ((BSE) – Sensex) Saudi Arabia (TADAWUL:TASI). Firstly, CPEC, It is one of the biggest investment which china has ever done in foreign country it would also give rise to industrial and business sector of Pakistan, because Pakistan is situated at a region strategically which is vital for world trade. Due to which it is also known as the gateway or opening of Middle east and Central Asia and play a significant role in transit. From China to European and Middle Eastern countries it delivers shortest link. During his visit by Chinese president to Pakistan in April 2015 both countries signed agreement of projects MOU which are having worth of USD 46 Billion. To fulfill their energy requirement chinees mostly rely on Middle East. This will act as a bridge that would linking three billion people in Africa, Europe part of a trains-Eurasian project and Asia, and gwadar will act as gateway for central Asian countries, including Uzbekistan, Afghanistan, aslo it would link srilanka , iran “ Jakarta (2015). To reduce their shipping cost china is going to invest \$46 billion for CPEC. Ting, (2003) examined that the existing trade route from China to Eastern and European Countries is quite expensive, lengthy and unsafe.

Certain Trade and development announcement have impact on stock exchange for Example Subramani and Walden (2001) examined e-commerce announcement have significant impact with respect the abnormal retrurns and shares holders wealth.Campbell, Lo, and MacKinlay (1997) stated the roots and scope of event studies. To test the market efficiency event study got considerable importance in fama (1991) Fama (1998). Smith (1986) has presented analyses of event studies of financing choices. Jensen and Ruback (1983) review corporate control events.

Secondly Leaks of Panama papers News about leak of documents linked to private and confidential business activities on 3rd April 2016 by Mossack Fonseca a Panama-based law firm. Offshore corporate accounts are being used to avoid or escape taxes, Launder money, assist corruption, violate sanctions, is well known. In the past, it become challenging for both for government and researcher that , an examination of the real uses of offshore vehicles and the examination that they create shareholders value. Donovan, Wagner, &Zeume, S. (2016).

These Panama Papers contained 11.5 million emails, scanned papers, transcripts and agreements and founded the largest leak to date. Nevertheless, the contents of the leaks consist of 2.6 terabytes of data, equal to approximately 168 million pages of text – make it important and a great and increasing literature is available in Finance and accounting relating to the costs and benefits by means of tax havens. Individuals or firms use Tax shelters as substitutes for debt Graham and Tucker (2006) and for circulation of tax evasion Hanlon, Michelle, Edward ,Maydew, and Jacob,Thornock (2015). Tax haven subsidiaries are also used by manger to finance inefficient acquirements Hanlon, Lester, and Verdi (2015) and tax haven settings are used to confiscate minority stockholders; tax implementation and clearness can reduce such expropriation Bennedsen and Zeume (2016) and in fraudulent environments Desai, Dyck, and Zingales 2007, Mironov (2013).

With respect of bribes are used by Firms create shareholders value. (Lin, Morck, Yeung, and Zhao 2016, Zeume 2016, Cheung, Rau, and Stouraitis 2012). Yet costs allied with detected defilements of anti-bribery rules more than offset the worth of agreements obtained with bribe payments, but this happened if only prosecution for bribery is complemented by charges of monetary fraud (Karpoff, Lee, and Martin 2015). Our work provides insights through event study leaks of panama papers and how does stock exchange is being affected by this event. Forming, businesses in tax havens that go outside tax savings, These purposes may decrease shareholder value (Bennedsen and Zeume, 2016). In this paper, we

use the date of leak of the Panama Papers to study, whether and how the new panama paper effect Stock exchange of Pakistan

Thirdly there could be direct impact for terrorism and war activity and stock exchange (IMF 2001a) Liargovas (2010) in his study with the help of event study method identified the terrorism impact on Greek banks, it has also included Madrid train bombing (March 11, 2004), New York USA terrorist attack (Sep 9, 2001) and London bombing. He was having diversified results, abnormal, negative and no effect are showed by Madrid train bombing on Greek banks stock respectively. Similarly huge and abnormal effect is shown by 9/11 attack it is because of the reason that US haven dominancy over the world's economy. In our study main concern is relating to surgical strike claim by the Indian army on Pakistan territory.

Motivation for the Study/Research Gap

Mega event included CPEC, Surgical Strike and Panama has a reasonable history of its correlation with economic and financial market of multiple countries. These events strongly affect the financial market and financial activates of the countries associated with panama papers, CPEC, surgical strike and others events. But this study is the first attempt to use these events and its impact on financial markets. Moreover, there are various ways by which these mega events have impact on multiple stock exchanges. It is important to note that any of such events like panama papers, CPEC and war, build a surge of patriotism. Such feelings are not being perceived in any other domestic event as a result overall temperament in the country is often reflected in investment decision and in revenues in the stock market, Callen, Livnat, and Segal (2009). Found that, event study explores more direct evidence about the information conveyed regarding earnings disclosures. We will see the impact of these events on stock exchange of Pakistan, India, US, China and Saudi Arabia which is the most concerned and integrated countries.

Studies have been conducted regarding The China-Pakistan Economic Corridor and why India opposed, what offerings available to India In the form of some interesting and hopeful choices which if work out innovatively, it could open many new views of regional collaboration Ranjan (2015) same like Sial (2014). Studed the potential threats of Regarding CPEC and constraints. No study has been conducted in respect of impact of CPEC on financial markets so our focus would be specifically with respect the stock exchange. The CPEC project gained a major stimulus with the signing of several agreements and MoUsof US\$28 billion during the visit of Chinese president Xi Jinping's to Pakistan from 20 to 21 April 2015 (GOP MOFA 2015).

Secondly Researchers have conducted number of studies to check impact of leaks of panama paper on economies and power players which are involved, how does this dirty money generated, why it was important to disclose panama data for example Van Fossen, (2003) inspected impact of panama and fraudulent activities on global financial instability his focus was especially with regard of tax avoidance. Dalen (2016) found the Power players which are involved in panama and concealed agendas of panama leaks. Desai, Foley, and Hines (2004) they studded panama issue with regard to effect that tax having on a particular economy. Shaer (2014) Found that how does island become hub for dirty money Desai, Mihir , James and hins. (2004) found the Economic Effects of Regional Tax .it is being observed that no study was undertaken with regard of reporting on April 3, 2016 about leak of documents interconnected to confidential business activates and its impact on stock exchange . Thirdly as for as surgical strikes are

concerned There have been numerals of historical extremist and military attacks that have bring about in sever stock price and return volatility Niederhoffer (1971) studied the impact of outbreak of War events on stock returns, but no study have been conducted with respect to check the impact of these three events on stock exchange so our third focus would also be to check the impact of Surgical strikes on stock exchange. So are our major research objective are 1. To find the impact panama paper on Stock exchange. 2. To find the impact of CPEC agreement on Stock Exchange. 3. To find the impact of Surgical Strikes on Stock Exchange.

Literature Review

Eugene Fama (1970) projected the main concept of efficient market he identifies that the securities prices mirror information of all the variables available regarding macro and micro economic .Thus; analytical power and predictive power is lost by the historical stock prices to forecast the future prices. Accordingly, the participant or contributors cannot predict the prices of assets because theirs random movement in the price of assets it creates restriction for them to earn the abnormal or extraordinary returns.JamesDolley (1933) was the first who used the event study methodology to inspect stock split announcement and its impact on the returns pattern. Further event study methodology is used by John Ashley (1962)Later, Archie Bakay (1948). Currently, in financial literature the event study methodology(ESM) is the utmost useful analytical tools and has begun as a very important technique for analyzing the impact of various corporate actions like stock split, bonus shares, earnings announcement etc. and main economic events e.g general elections, budget proposal, change in policy announcement, political events, terrorist attack, oil shocks, etc. on stock prices.

It is examined by various studies The concept of efficient market hypothesis (EMH) for numerous extreme sensational or economic events e.g. 9/11 attacks in september (Cartaer and Simkins, 2004; Suleman 2012), positive political news (Kongprajya, 2010), negative political news (Lin & Wang, 2005; Mei & Guo 2002), general elections (Vuchelen,2003; Person, 2012; Jones, 2009; Anderson et al., 2008; Peel and Pope 1993; Hensel & Ziemba. 1995; Bialkowski, et al., 2008; Kithinji and Ngugi2013). Stock market response due to terrorist attacks Akysya and Shakil (2005) as well as special events (Ma, Sun &Tang (2003)), space shuttle Crash (Maloney and Mulherein (2003)), president resignation (Ahmad (2009), hurricane or storm impact on stock market, Angbazo (1996). natural disasters Impact on stock returns is also been examined by researchers e.g, Shelor et al. (1990) ; Javid (2007) Studed earthquake in Pakistan. Wan (2011), Studded natural disasters in Japan; disaster of Californian on US stock market Andrew, Valadkhanii and Worthington (2004),

Relationship between the prices of oil and its impact on stock returns is also investigated by numerous others e.gCiner (2001) ; Sadorsky (1999). Hamilton (2003),Manning (1991) ;Kavussanos and Marcoulis (1997). Some studies have also investigated that stock prices are also effected by the announcement of interest rates like Fleming and Remolona, (1999) ; Raoof, (2010) ; (Kim (2003) ; Rigobon and Sack, (2004). Some degree of empirical research tried to examine the impact on stock market by Union budget e.g, Soni Anil (2009)). Kaur Harvinder (2004), Kutchu,Vishal (2012); Rao (1997);Thomas and Shah (2002); Divya et al. (2015); Babu and Venkateswarlu(2013)Likewise variables like money supply inflation, other macro-economic variables and its impact on stock prices e.g treasury yield (Hamilton (2008)). Kim and Nguyen (2008) and Bernanke and Kuttner (2005) explored the influence of announcements monetary policy and impact on stock market they also examined various policy issues and their impact on returns stock market. crude prices and its impact on stock exchange

Chen and Chen (2007), impact of exchange rate and inflation on stock price Sarkar (2003), Doong et al (2005), Joseph (2002), Dimitrova (2005), Fama (1981),; Mukhopadhyay and there are some more studies which tried to explore the stock market reaction with respect to certain special and unusual events e.g Islamic month or colander impact stock market, Hussain (2015), stock return with respect to political reaction Bittlingmayer (1998); financial crises of the world Aliand Afzal(2012), stock return and devaluation of currency (Aggarwal, 1981), etc. the movement of stock market is influenced by Majority of these event studies which has mostly documented the Political events financial events and macro-economic variables. Furthermore, both national and international events have impact on the stock markets and react freely after their occurrence.

Markets Reaction to New Information

The prospect of forecasting future stock returns from historical price data has been researched thoroughly. Starting with Fama (1965) who established in his efficient market Hypothesis that for an investor it is pointless to look patterns and arrangements in historical prices, yet news does have impact. Because company value is being reflected in stock prices therefor as new information and knowledge comes in market, it reacts accordingly and It effect imminent earning. Niederhoffer (1971) found that big movement in the market is most probably on that particular day when event happened, it is also observed that early respond more extremely and promptly to bad events. Ryan and Taffler (2002) also found that due to firm related events news stock price become change up to 65%. Such results specify that there might be an analytical power in news. Fama (1970) in his efficient market hypothesis further identified that stock markets are influenced by and react according to relevant information. Following are the some findings which confirm the strong linkages between the effects of good or bad news and stock returns. (Arshanapalli and Doukas, 1993 Hamao Masulis and Ng, (1990) Hon Strauss and Young (2004) Kim, McKenzie and Faff (2004), Nikkinen and Sahlström (2004), Thomas & Zhang, (2008) and Callen, et al. (2009)

Mega World Events and Stock Market Returns

There is a lack of literature related to event study approach to investigate the consequences on stock market reaction which is being caused by the declaration or announcement of Major world events including CPEC, panama leaks and Surgical strikes on Pakistan. It is stated by Bodie, Kane and Marcus (2005, P.383) “ event study methodology has become a widely accepted tool to measure the economic impact of a wide range of events.” To measure the impact of range of economic and non-economic events on stock market returns event study approach is widely used methodology. Subramani and Walden (2001) inspect the 251 e-commerce declarations and its effects on stock returns, they found that these e-commerce announcements have very significant and also positive impact for the shareholder and for the firms, for B-2-B (Business to Business) announcement cumulative abnormal returns is significantly lower than Business-to-consumer announcements.

CPEC and Stock Returns

It is beyond suspicion the china's capability to deliver CPEC goals. For the project worth US\$ 46 billion, containing 51 agreements and memorandum of understanding (MoUs) signed by two countries naming Pakistan and China during the visit of Chinese President Xi Jinping in April 2015. Javed & Sector.

(2016) Managing Director of Pakistan Stock Exchange Nadeem Naqvi told to business recorder. By adding minimum \$30 billion in Pakistan Stock market capital the weight of Pakistan's would increase in MSCI-EM index also it would enhance daily traded value from average \$110 million to \$500 million in next few years. ("100 billion market capital" 2016).

Even if a more accessible, adaptable and open world economy could have positive results, e.g. potential risk related to more efficient market. Harmonized incorporated and coordinated financial market are being opened on the expectation that financial problems and economical risks which occurred in one country it have spillover effect on financial markets of other country. Baele (2005) in his research of 13 European countries, provide evidence of that their markets are greatly affected by economic events.

The financial crisis in 2008 in US because of sub-prime mortgage lending has not only created economic disorder inside the nation, but it also collapsed the international financial markets as a result. Standard & Poor's 500 Index decreased with more than 50 % as compared to 2007 and other countries were set back to GDP of 1990s. (Jones, 2009). Neaime (2012) also examined the impact of financial crises of 2008 and its impact on stock market particularly with respect to stock market of North Africa and Middle East.

Cooperation and closer relations can be developed with CPEC among China and southern, central and western Asia countries (PRC MOFA 2015). Narayan and Narayan (2012) in his studied particularly the impact of major macroeconomic events of US amongst 2000-2010 on Asian stock market on only Asian stock markets of major macroeconomic events in the US amongst 2000-2010. The outcome is not one-sided, i.e. certain stock market have significant impact of macroeconomic event and certain don't. Pearce and Roley (1985) examined that certain economic events don't create any significant impact on stock exchange

The CPEC investment will open doors to enormous opportunities which would not only beneficial for Pakistan but it will link China physically to its Asian markets, European markets and beyond almost 80% of the China's oil is presently transported through channel of Malacca to Shanghai which is having distance of nearly 16000 km and it is also time consuming takes 2-3 months. When Gwadar becoming operational, its distance would reduce up to 5000 km. Chairman of Pakistan Stock Exchange Muneer Kamal called CPEC as utmost important strategic. ("100 billion market capital" 2016). Zhang (2016) Chairman of Arif Habib group Mr Arif Habib said that government should offer up to \$12 billion of financing in the next year to incentive to stock market ("100 billion market capital" 2016). Conclusion of the literature is that stock market is systematically response to economic and development news.

H1: investor responds significantly to announcement of CPEC agreement.

Panama Leaks and Stock Returns

A numerous of studies discuss that stock markets are segmented. Black (1972) and Sharpe (1964) are between those that given this argument. If markets are segmented, different risk and returns are associated with it which are vary based on market and their source is also vary. Beckart and Harvey (1995). In emerging economy there are some local factors as compared to global factors which become the cause of stock price movements. Bilson, Brailsford, and Hooper (2001) they specially political factor as the local factor. The political and fraudulent events have significant influence on international stock investment decision Errunza (1983). It is found through researchs that there is negative effect of

corruption on multiple economic factors like capital productivity (Lambsdorff, 2003). GDP growth (Mauro, 1995), FDI (Abed & Gupta, 2002; Smarzynska & Wei, 2000)

The thrilling trove of leaked of 11.5 million documents by an undisclosed insiders from the secret of Panama based law firm Mossack Fonseca has truly upstretched a storm, generally in the corridors of power globally. Number of Officials and the rulers having been caught in storm which include officials from Pakistan to Russian president Vladimir Putin. It is identified by leaked documents that with the help of Mossack Fonseca 214,000 shell companies which are having no offices, no employees and no work and only paper companies are incorporating Republic of Panama. Hussain (2016) said that mainly it was included those business which include in real estate, cement sectors, textile and Hoteling. Tax haven events can lose the control on corporate governance which lets controlling shareholders to develop non-controlling shareholders private benefits. (Hanlon, Lester and Verdi 2015). Forming, businesses in tax havens that go outside tax savings: These purposes may decrease shareholder value. Bennedsen and Zeume (2016). Pertaining to prevailing political uncertainty which is followed by leaks of Panama papers investors look past to decide about future investment ("Market review 2016"). If market is efficient, market forces should to some extent constrain than the behavior of errant management referred to the procedure as ex post settling-up. Fama (1980). Results of certain studies are also consistent with that there would be negative response of market to the announcements of any social irresponsibility Davidson & Worrel. (1988).

H2: investor responds significantly to the leak of Panama Papers

Impact of War and Terror on Stock Return

"When information becomes available about a cataclysmic event – like a terrorist or military attack – investors often flee the market in search of safer financial instruments and panic selling ensues" (Chen and Siems, 2004, p. 349).

There have been numerals of historical extremist and military attacks that have bring about in sever stock price and return volatility as concerned investors sell to finish their anxiety. on the other hand buyers remain on the sideways until enough courage is being built to go back into the market. Increasing stiffness between Pakistan and India had influence on financial markets of India's with the equity index of 500 points in immediate response to claim of Indian Army's that they have done some surgical strike on Pakistani on Wednesday 28 September night. It was also claimed by director General of Indian military operation (Crashe, 2016). It is said by the Ashtosh Raina in 2016 head of Mumbai based Foreign exchange that when there is any tension or any strike, exist across the border it would undeniably hurt sentiment and its result could be seen on stock return and economy (Goyal, 2016). The unanticipated event also triggered spillover effects internationally, and stock market responds significantly. (Chen and Siems, 2004).

Niederhoffer (1971) studied the impact of outbreak of War events and political event at very first time. As per his study, there is a strong movement of huge negative price change 1-2 days subsequent to a major war or political event. On 2-5 days consequent the events, their stock market prices tended to rise or Fall, which represents that the market in has been undercoated or overreacted. Niederhoffer (1971). most threatening foreign attack on American place on the 11th September 2001 when second airplane hit in New York the north tower of the World Trade Centre, as a result due to adverse price response from investor US stock market (Chen and Siems, 2004). 9/11 attack was having immediate impact on (Dax30, Cac40, Stoxx50, Ftse100) or a long-lasting impact on (Aex25). Charles and Darné. (2006).

H3: Investor's reaction to surgical strike announcement is significant

Methodology

An event study: Generally an event study is a research method in which financial markets transactions data is used to predict financial gain or loss related with any newly dispersed information (Sharma, 2010). For instance, as we are concerned in exploring whether three Mega events which included CPEC, Surgical Strike and Panama leagues has an impact on numerous financial markets, along with limited theoretical and empirical input, this research therefore uses an empirical approach. The study will inspect the event and thus make available to us a deeper insight of about what types of Mega event may or may not have a significant impact on financial markets. The method plays important role in understanding any “abnormality” (a significant anomaly from average) The research work follows the concept that prices will instantly be respond by an Fama, Fisher, Jensen, & Roll,(1969).

Stock price reaction is being measured through event studies. Abnormal returns represent the price reaction and these abnormal returns are stock returns which are adjusted with daily stock price and movements of stock index. Mainly event study start with initial hypothesis that how does a particular event affect the value of stock or firm. However value of company or stock is shown in abnormal returns. (Serra, 2004).

Event selections: We identified major international events which have been recorded worldwide. As these are the events that may have direct effect on at least economy of one country and it could have potential indirect impact on multiple country economies. Event selection is also not necessarily on the basis of extreme but we have selected those which extensive media exposure.

Data Description and Analysis

For analysis the follows daily price index (PI) of following countries are used China (SSE Composite Index) Pakistan (kse 100) United Kingdom (FTSE 100) India ((BSE) – Sensex) sodia Arabia (TADAWUL:TASI) and S&P 500 index reason behind choosing these countries is these countries are having higher level of integration data is downloaded from Yahoo finance and Google finance. The April 3, 2016 is the day of the leak data, which is on a Sunday, so our event day would be Monday, April 4, 2016, same as September 29 2016 is the event day for Surgical Strike and On 20 April 2015 for CPAC we have aggregated returns of different event windows covering 15 days prior to event and 15 trading days the subsequently. In order to identify the impact of any event abnormal return is clearly defined abnormal return is the ex-post return over the particular event window deducted the normal return of the index from that particular event window. Whereas normal return is defined as, return without the condition of the event to take place.

Table 1. Standard Error used in Calculation of CAR through excel sheet

Index	Standard Error		
	CPEC	PANAMA leaks	Surgical Strike
SSE Composite Index	0.00165	0.00135	0.0005272
S&P 500	0.00083	0.00053	0.0013059
KSE 100	0.00069	0.00047	0.0004272
(BSE) – Sensex	0.00084	0.00054	0.0007253
FTSE 100	0.00092	0.00061	0.0005349
TADAWUL: TASI	0.00173	0.00088	0.0006228

A t-statistic is statistically significant at the 5% confidence level if it is greater of equal than 1.96 in absolute value.

Table 2: Cumulative Abnormal Retruns(CAR) and t-test of six Countries (EVENT CPAC)

Event Day	SSE Composite Index		S&P 500		KSE100		(BSE) – Sensex		FTSE 100		TADAWUL: TASI	
	CAR	t-Test	CAR	t-Test	CAR	t-Test	CAR	t-Test	CAR	t-Test	CAR	t-Test
-15	-0.014	-8.401	0.011	13.611	0.044	63.71	0.010	12.219	0.004	4.887	-0.012	-6.813
-14	-0.027	-16.14	0.002	2.075	0.041	60.36	0.010	11.638	-0.014	-14.891	-0.003	-1.862
-13	-0.005	-2.806	0.000	0.297	0.055	80.27	0.018	21.291	0.001	1.486	-0.030	-17.413
-12	-0.004	-2.547	-0.004	-4.595	0.072	104.52	0.018	21.215	-0.010	-10.814	-0.025	-14.709
-11	0.002	1.258	-0.001	-1.330	0.080	117.03	0.010	11.560	-0.007	-7.872	-0.034	-19.378
-10	-0.020	-12.25	-0.001	-0.844	0.091	132.02	0.024	27.995	-0.007	-8.081	-0.049	-28.486
-9	0.020	11.93	0.004	4.648	0.086	124.46	0.029	34.740	-0.010	-10.683	-0.045	-26.038
-8	0.025	14.82	0.001	1.221	0.094	136.99	0.029	33.919	0.009	9.744	-0.023	-13.342
-7	0.012	6.954	0.003	3.474	0.098	142.16	0.034	40.113	0.005	5.035	-0.017	-9.598
-6	0.027	16.38	0.007	7.845	0.108	156.80	0.033	39.532	0.015	16.329	-0.005	-2.711
-5	0.045	27.14	0.011	13.105	0.104	151.58	0.024	28.890	0.025	26.943	-0.003	-1.494
-4	0.045	26.98	0.006	6.650	0.099	144.71	0.019	22.778	0.020	22.132	0.007	4.147
-3	0.028	17.22	0.006	7.645	0.103	150.39	0.011	12.873	0.021	22.934	0.000	-0.148
-2	0.052	31.19	0.011	12.840	0.118	171.63	-0.009	-11.174	0.023	25.358	0.022	12.988
-1	0.070	42.18	0.009	10.951	0.133	193.02	-0.017	-20.750	0.017	18.875	0.033	18.938
0	0.050	30.00	-0.003	-3.629	0.134	195.48	-0.010	-12.170	0.007	7.777	0.073	42.033
1	0.064	38.69	0.005	6.426	0.126	183.08	-0.016	-19.382	0.015	15.814	0.070	40.701
2	0.084	51.08	0.003	3.696	0.139	202.38	-0.028	-32.766	0.015	16.595	0.068	39.363
3	0.084	51.09	0.007	8.818	0.138	200.30	-0.038	-44.708	0.009	10.339	0.070	40.677
4	0.076	46.03	0.009	10.683	0.147	213.49	-0.030	-35.731	0.012	13.389	0.076	43.734
5	0.102	61.97	0.010	12.423	0.135	197.18	-0.026	-30.645	0.014	15.130	0.074	42.820
6	0.087	52.90	0.005	6.497	0.148	215.26	-0.037	-44.314	0.018	19.362	0.087	50.505
7	0.084	50.76	0.007	8.854	0.140	203.07	-0.046	-54.304	0.007	7.144	0.088	51.138
8	0.072	43.82	0.003	3.410	0.136	197.44	-0.046	-54.885	-0.006	-6.887	0.100	57.524
9	0.060	36.53	-0.008	-9.739	0.143	208.53	-0.029	-34.557	-0.005	-5.524	0.103	59.329
10	0.074	44.69	0.002	2.318	0.141	205.64	-0.031	-37.322	-0.002	-2.454	0.096	55.691
11	0.029	17.46	0.004	4.879	0.142	207.05	-0.059	-69.638	0.000	-0.299	0.100	57.543
12	0.009	5.42	-0.009	-10.339	0.136	198.23	-0.064	-75.493	-0.012	-13.376	0.097	55.920
13	-0.023	-13.74	-0.014	-16.643	0.145	210.83	-0.045	-53.659	-0.012	-13.295	0.101	58.240
14	-0.004	-2.31	-0.011	-13.087	0.142	206.08	-0.031	-36.741	-0.020	-21.564	0.095	54.964
15	0.022	13.57	0.002	1.969	0.135	196.28	-0.055	-64.860	0.002	2.566	0.095	55.031

A t-statistic is statistically significant at the 5% confidence level if it is greater of equal than 1.96 in absolute value.

Table 2 provides the response of stock prices of six selected countries and Cumulative Abnormal Returns (CAR). It is found through results that Pakistan(KSE 100) CAR remain significant throughout the event window, China(SSE) and UK(FTSE 100), CAR reported a significant result from “-9” and “-8” correspondingly Whereas CAR of China remain significant throughout the event window but CAR of UK

remain significant up to “+7”. the results also showed that Pak, Chin, Saudi Arabia and UK indicated on an average substantial positive CAR which is continuously increasing from day “0” till the day “+15” and “-15”. Significant Abnormal CAR is only reported in Case of Saudi Arabia on “0” “-1 and “-2” and US reported negative and insignificant CAR. It also remains up to “+15”. Indian Stock reported insignificant response to CPEC news. Yet, there were no significant CAR reported instantly or on the day of event (CPEC) announcement. The *H1: investor responds significantly to announcement of CPEC agreement* is proved Correct except Indian Stock. The results are mostly consistent with the prevailing literature on the information content of earnings.

Table 3: Cumulative Abnormal Returns (CAR) and t-test of six Countries (Event: Panama leaks)

Event Day	SSE Composite Index		S&P 500		KSE 100		(BSE) – Sensex		FTSE 100		TADAWUL: TASI	
	CAR	t-Test	CAR	t-Test	CAR	t-Test	CAR	t-Test	CAR	t-Test	CAR	t-Test
-15	0.001	0.859	-0.001	-2.647	0.002	4.10	0.006	10.303	0.006	9.294	-0.012	-13.097
-14	0.003	2.022	-0.003	-6.391	-0.002	-3.96	0.006	10.279	0.000	0.246	-0.019	-21.750
-13	0.014	10.427	0.002	3.978	0.006	13.17	0.017	31.320	0.006	9.735	-0.006	-7.105
-12	0.031	22.720	0.009	16.227	0.008	17.06	0.030	56.360	0.010	16.576	0.009	10.194
-11	0.052	38.069	0.013	24.336	0.011	24.59	0.032	60.044	0.008	13.659	0.024	27.062
-10	0.045	32.896	0.014	25.961	0.009	20.39	0.033	60.927	0.008	12.427	0.026	29.142
-9	0.048	35.105	0.013	24.044	0.006	13.76	0.018	33.789	0.009	14.672	0.026	29.789
-8	0.031	22.580	0.006	11.616	0.009	18.66	0.016	29.223	0.010	16.445	0.024	27.582
-7	0.036	26.774	0.006	10.648	0.002	4.58	0.026	49.208	-0.005	-7.963	0.008	9.513
-6	0.028	20.996	-0.039	-74.349	0.004	9.00	0.026	47.773	0.006	10.171	-0.005	-6.019
-5	0.015	11.045	0.006	11.188	0.005	10.36	0.034	62.812	0.006	9.472	-0.002	-2.418
-4	0.042	30.823	0.015	27.628	0.004	8.29	0.034	63.416	-0.005	-7.820	-0.016	-17.742
-3	0.042	31.229	0.019	35.632	0.005	10.62	0.031	58.460	0.011	18.006	-0.008	-9.216
-2	0.044	32.210	0.017	31.502	0.011	24.25	0.037	68.385	0.007	10.670	-0.006	-6.430
-1	0.019	13.793	0.023	43.252	0.020	43.85	0.016	30.495	0.002	3.146	-0.020	-22.829
0	0.057	42.027	0.019	36.894	0.031	66.32	0.017	32.133	0.005	8.183	-0.005	-5.816
1	0.056	41.028	0.009	17.261	0.029	63.19	0.009	16.319	-0.007	-11.240	-0.005	-6.189
2	0.041	30.343	0.019	36.885	0.034	74.15	0.008	15.807	0.005	7.565	-0.002	-2.485
3	0.033	24.159	0.007	13.732	0.033	70.50	0.023	42.292	0.001	1.115	0.006	7.036
4	0.048	35.793	0.010	18.774	0.035	74.57	0.028	51.824	0.012	19.026	0.021	24.306
5	0.034	25.386	0.007	13.310	0.023	48.57	0.047	87.508	0.011	17.999	0.017	19.530
6	0.058	42.913	0.016	31.342	0.024	51.35	0.055	101.607	0.018	29.158	0.033	37.369
7	0.063	46.293	0.026	50.086	0.025	52.76	0.056	103.976	0.037	60.380	0.040	45.579
8	0.061	44.877	0.026	50.167	0.028	60.04	0.042	78.697	0.038	61.044	0.052	58.733
9	0.046	33.727	0.025	48.046	0.028	59.56	0.046	85.902	0.034	55.674	0.038	43.187
10	0.048	35.557	0.032	60.193	0.027	58.64	0.058	107.671	0.036	58.278	0.041	46.823
11	0.024	17.900	0.035	65.800	0.026	56.25	0.052	96.691	0.044	71.603	0.059	66.979
12	0.017	12.591	0.035	66.999	0.023	48.78	0.057	105.352	0.045	72.949	0.057	65.014
13	0.019	13.779	0.030	56.850	0.021	45.27	0.051	94.196	0.040	65.713	0.070	79.467
14	0.014	10.235	0.030	56.693	0.026	55.50	0.063	118.237	0.029	47.600	0.088	99.858
15	0.019	14.345	0.028	52.996	0.024	51.53	0.066	122.666	0.021	34.875	0.114	129.591

A t-statistic is statistically significant at the 5% confidence level if it is greater of equal than 1.96 in absolute value.

Table 3 provides that Leaks of Panama paper news resulted significantly higher impact than CPEC except TADAWAL TASI (Saudi Arabia) stock which showed insignificant results from “-6” to “+2”. It is also found through results that Pakistan (KSE 100), China (SSE), UK (FTSE 100) and India (BSE-Sensex) CAR remain significant throughout the event window. CAR of S&P 500 and SSE Composite Index showed downward trend particularly on “0” event day and this behavior remain up to “+5”. Variations in CAR can be observed before and after the event in case of Saudi Arabia. The hypothesis H2, that there is significant impact of the leak of Panama papers event on behavior of return is proved Correct except TADAWAL TASI (Saudi Arabia) Stock.

Table 4: Cumulative Abnormal Retruns(CAR) and t-test of six Countries (**Surgical Strike**)

Event Day	SSE Composite Index		S&P 500		KSE 100		(BSE) – Sensex		FTSE 100		TADAWUL: TASI	
	CAR	t-Test	CAR	t-Test	CAR	t-Test	CAR	t-Test	CAR	t-Test	CAR	t-Test
-15	-0.018	-14	-0.02	-46.580	-0.010	-23.26	0.014	26.557	-0.012	-19.092	0.025	34.155
-14	-0.016	-12	-0.01	-19.498	-0.01	-25.37	0.013	24.079	-0.023	-37.050	0.025	34.578
-13	-0.022	-17	-0.03	-47.594	-0.01	-27.56	0.013	24.638	-0.017	-27.403	0.025	34.697
-12	0.000	0.22	-0.03	-48.853	-0.01	-28.87	0.011	20.298	-0.016	-25.393	0.025	34.454
-11	0.001	0.62	-0.02	-30.207	-0.01	-29.29	0.010	18.414	-0.007	-11.576	0.025	34.312
-10	-0.012	-9.02	-0.02	-37.433	0.00	6.21	0.005	9.863	-0.010	-16.198	-0.012	-16.378
-9	-0.012	-9.08	-0.02	-37.628	0.00	8.01	0.005	8.571	0.005	8.487	-0.031	-43.263
-8	-0.010	-7.65	-0.02	-37.229	0.00	2.54	0.014	25.927	0.008	12.707	-0.032	-44.134
-7	-0.004	-2.80	-0.01	-17.088	-0.01	-31.87	0.010	18.756	0.009	13.804	-0.027	-36.968
-6	-0.005	-4.21	0.00	-5.135	-0.01	-11.72	-0.003	-6.391	0.020	31.868	-0.032	-43.673
-5	0.002	1.4	-0.01	-16.052	0.00	-8.81	0.006	10.649	0.020	31.572	0.019	25.700
-4	-0.021	-16.4	-0.01	-16.212	-0.01	-34.74	-0.006	-11.613	0.020	31.734	0.020	27.345
-3	-0.015	-11.2	-0.02	-32.497	0.00	-10.22	-0.004	-7.216	0.007	10.516	-0.021	-28.614
-2	-0.017	-13.1	-0.01	-20.648	0.00	-7.11	-0.021	-38.911	0.005	8.234	-0.058	-80.274
-1	-0.013	-9.68	-0.01	-10.931	0.00	-4.75	-0.019	-36.536	0.011	18.204	-0.092	-126.675
0	-0.010	-7.39	-0.02	-28.601	0.00	-9.36	-0.006	-11.265	0.022	34.702	-0.075	-103.057
1	-0.002	-1.35	-0.01	-13.922	0.00	3.74	-0.003	-5.388	0.019	30.195	-0.105	-145.037
2	-0.002	-1.44	-0.01	-20.189	0.01	28.10	-0.007	-13.249	0.031	49.832	-0.110	-151.445
3	-0.001	-0.72	-0.02	-29.637	0.01	34.79	-0.011	-21.221	0.044	70.741	-0.089	-122.274
4	0.000	-0.03	-0.01	-21.781	0.02	40.99	-0.013	-24.507	0.038	61.549	-0.077	-105.885
5	0.001	0.97	-0.01	-21.041	0.02	39.75	-0.012	-23.317	0.034	54.093	-0.067	-92.895
6	0.010	7.83	-0.01	-27.294	0.02	35.65	-0.028	-53.461	0.040	64.414	-0.089	-122.069
7	0.017	12.8	-0.01	-18.862	0.02	46.02	-0.016	-30.430	0.048	76.637	-0.075	-103.643
8	0.015	11.8	-0.02	-42.439	0.02	45.32	-0.011	-20.838	0.044	70.765	0.002	3.242
9	0.017	13.3	-0.02	-40.456	0.02	47.11	-0.013	-24.634	0.038	60.248	0.002	3.275
10	0.019	14.6	-0.02	-46.420	0.02	35.67	-0.009	-18.005	0.031	49.797	0.002	3.015
11	0.026	20.3	-0.02	-46.203	0.01	15.81	-0.013	-24.157	0.036	58.179	0.002	2.797
12	0.028	21.2	-0.03	-52.052	0.01	12.93	-0.022	-41.690	0.027	43.159	0.002	2.685
13	0.029	21.8	-0.02	-40.729	0.02	47.06	-0.019	-36.530	0.035	55.411	0.002	3.099
14	0.032	24.2	-0.02	-36.795	0.01	31.52	-0.018	-35.033	0.038	60.580	0.003	3.448
15	0.044	34.0	-0.02	-39.529	0.00	5.31	-0.017	-31.791	0.039	61.880	0.003	3.843

A t-statistic is statistically significant at the 5% confidence level if it is greater of equal than 1.96 in absolute value.

Table 4 indicates that Pakistan (KSE 100) shows the increase in CAR after the event day “+1” to “+14” With some variations in CAR. Which is increased instantly after the announcement day, TADAWAL TASI (Saudi Arabia), China (SSE) ,UK (FTSE 100) and India (BSE-Sensex) showed insignificant results although China stock reported significant results for “+6” to “12” but as per the Bilson, Brailsford, and Hooper (2001) who argue that their cold be local factors as opposite to global factors that bring movement in stock market.

In case of IndiaCAR remain insignificant and it shows negative trend which indicate return is decreased after strike and this negative trend remain in whole event window(“-15”, “0”,”15”) at a standard error level 0.00053 The hypothesis H3, that there is significant impact of the Surgical Strike event on behavior of return is proved incorrect except.

Findings and Suggestions

The study establishes that in the globally non-segregated economy Mega world events like CPEC, Leaks of panama papers news and surgical strikes in some extent have a significant impact on stock prices, which could result in spillover effects. According to our results, any positive or Negative event which is occurred at one country, it will indirectly influence the stock prices of other country as well and brings change in foreign stock markets. Although our study is limited to three mega events still it has increased our consideration and understanding toward stock market response even these events are not enough to make conclusion and recombination. However, this study would help us to identify the certain trends and pattern regarding how CPEC, Leaks of panama papers news and surgical strikes affects stock market prices.

In financial markets, for several actors, the finding of this study may be considered as contribution. Results how markets respond to such type of events would help to manage risk

Significance and Limitations of the Study

Although data for the event study is verified and taken through consistent sources. But still we acknowledge the possible risk of some eventual, inexactness regarding the data. Because certain major events accord alone but sometimes they are followed by some other event which could be reaction of major event or having autonomous reasons. Hence, we cannot eliminate the fact that measurements which are done in this study are not entirely related to main events. Moreover, we have taken the exact time when information is released regarding the happening of event in order to become most accurate but we accept the matter of fact that certain events like political, development and war or terror are to be mentioned in news several times and sometime this process continue for a long period of time there for it become difficult to identify exact time of interest. hence 15 day of event window capture and both aspect of the event first when the event happened actually, second when news is reached to the market.

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