JAKARTA ISLAMIC INDEX STOCK MARKET REACTION TO TURMOIL ISRAEL AND PALESTINE WAR

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Abstract
This research aims to analyze the reaction of the Jakarta Islamic Index stock market to the turmoil of the Israeli and Palestinian war. The data used in this research is secondary data from 14 samples. The sampling technique used was purposive sampling technique. The method used to analyze differences before and after the turmoil of war is the paired t test. The research results show that statistically using abnormal returns it can be concluded that there is no difference in the reaction of the Jakarta Islamic Index stock market before and after the turmoil of the Israeli and Palestinian wars with a significance value of 0.184 < 0.05. Meanwhile, by using trading volume activity, it can be concluded that there is a difference in the reaction of the Jakarta Islamic Index stock market before and after the turmoil of the Israeli and Palestinian wars with a significance value of 0.001 < 0.05. This indicates that there was a change in stock prices after the turmoil of the Israeli and Palestinian war.

Keywords: Stock market reaction, Abnormal Return, Trading Volume Activity, War Turmoil.

Introduction

Investment is essentially the placement of a certain amount of funds at this time with the hope of obtaining profits in the future. Securities trading activities, especially activities on the stock exchange, as part of economic activity are not free from the influence of political turmoil. Political events do not intervene directly on the stock exchange, but these events are part of the information that is absorbed by capital market players and used to obtain expected profits in the future. This information influences investors' decision making and ultimately the market will react to this information to achieve a new balance (Trisnawati, 2011).

There are fourteen variables that influence share prices according to Samsul, (2015), namely 1) announcement of dividend distribution cash, 2) split announcement, 3) *rights issue announcement,* 4) bonus share or dividend share announcement, 5) warrant announcement, 6) merger and acquisition plans, 7) conflict of interest transaction plans, 8) changes in macro and micro economic variables, 9) international political events, 10) movements in the DJIA stock index, Nikkei 225, Hang Seng, 11) national political events, 12) January effect, 13) Insider information, and 14) changes in the economic cycle through *leading indicators.* One of the investment instruments in the capital market is shares. Shares can be interpreted as proof of a person's or institution's capital participation in a company *going public.* Shares are a certificate of proof of ownership of a company or entity, in which a shareholder has the right to claim the assets and profits of the company or entity that issued the shares (Rusdin, 2018).

The stock sector is an alternative choice for investors to gain profits on the capital they have invested. The advantages of investing in the stock sector that investors obtain include profits from dividend distribution and profits from the sale of shares *(capital gains).* Therefore, investment in the stock sector is often chosen by investors because it can provide quite attractive returns.

An important factor that investors need to pay attention to when investing in shares is the rise and fall of share prices. According to Jogiyanto, (2019), the share price is the price of a share in the capital market in a certain period, where the price is determined by the demand and supply of shares in the capital market. The up and down movements of share prices can be influenced by many factors, both economic and non-economic events. According to (Wicaksono, 2023) Capital market reactions are sometimes caused by non- economic

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events.

Factors that influence the rise and fall of share prices are emergency events , general elections, presidential elections and trade wars. Even though it is not directly related to capital market activities, emergency events will have an impact on investors' psychology and behavior in making investments which ultimately affects share prices (Pinglin et al., 2020). Investors often treat events *as emergencies* which contains information as a basis for decision making, so that an emergency event *becomes* one of the factors that determines the rise and fall of share prices.

One of the emergency events that recently occurred was the war between Israel and Palestine. Attacks on the Gaza Strip continue amid Israel's plans to carry out a land invasion, the number of fatalities is mostly children and women. The current crisis conditions in Gaza prompted the UN to hold an emergency meeting to adopt a Humanitarian Ceasefire for Civilian Protection resolution, the results of the emergency meeting resulted in a vote of 120 members in favor of the ceasefire, 14 against and 44 not expressing the opinion contained in the UN General Assembly Resolution (United Nations, 2023).

Israeli Prime Minister Benjamin Netanyahu gave a statement that Israel would not withdraw troops and stop attacks on Palestine and ignore the UN General Assembly Resolution (CNBC Indonesia, 2023). The Palestinian Hamas war with Israel created world solidarity actions in several countries, namely Indonesia, which were held at Monas and the United States Embassy, then in England, especially in London, held prayers and congregational prayers, South Korea, Brazil, Malaysia and others. The demonstration was attended by hundreds of thousands of civilians for the humanitarian action of the Israel-Hamas war.

The conflict in Palestine could have a significant impact on multinational companies such as Unilever. Unilever, as a global entity with presence in various countries, is connected to political and social dynamics around the world. In its capacity as a multinational company, Unilever cannot avoid the influence and changes that occur in the political and social structures in the places where it operates.

Its widespread presence stretches across national boundaries, making it highly responsive to any policy shifts, regional conflicts, or social changes that may affect its operations and reputation. The existence of Unilever products in various countries requires a deep understanding of the vulnerabilities and opportunities that arise from political differences and social in each local context. As a result, Unilever needs to continually adapt its operational strategies to suit these changing dynamics and ensure that its business policies are in line with local demands and values, while respecting global norms.

Imports of Unilever products could experience serious disruption due to the involvement of the company's production and distribution facilities in conflict-affected areas. Rising operating costs are a serious concern, including more expensive insurance and additional asset protection that may be required.

Unilever's distribution and logistics are also vulnerable to disruption due to instability in conflict areas, slowing product distribution to the market. In addition, the emergence of boycotts or consumer campaigns against companies deemed related to the conflict could harm Unilever's brand image, causing a decrease in product demand. Companies are also faced with demands for ethics and corporate social responsibility, which require ethical responses to conflict.

This impact can harm brand image, affect consumer confidence, and even create greater regulatory pressure. Unilever must also consider the psychological and emotional impact of conflict on employees and ensure their well-being. In facing these challenges, Unilever needs to increase geopolitical monitoring, manage financial risks carefully, and perhaps evaluate its business portfolio to reduce risks. Open communication with stakeholders and involvement in humanitarian efforts can also be important steps for Unilever in addressing the impact of this conflict.

The above political phenomena have caused the Company's share price to change. The following are share price fluctuations that occurred at PT. Unilever Tbk 5 days before the war and 5 days after the war:

Table 1.1 Changes in Share Prices

Date	Share Price
October 1, 2023	4.024
October 2, 2023	4.024
October 3, 2023	4.053
October 4, 2023	4.012
October 5, 2023	4.030
October 6, 2023	3.925
October 9, 2023	3,909
October 10, 2023	3.930
October 11, 2023	3.924
October 12, 2023	3.938
October 13, 2023	3.975

Source: Investing.com (2024)

Based on the table above, it shows that after the war between Israel and Palestine (Hamas), company share prices experienced a decline. The share price is its monetary value determined by the financial market through the share trading process on the stock exchange. Share prices can fluctuate at any time depending on supply and demand in the market. One of the factors thought to influence changes in stock prices is political events. Certain political events, such as elections, changes in government policy, or political instability, may affect investors' perceptions of market conditions and may cause stock price fluctuations. Political events in one country can have a global impact, especially if that country has strong economic ties to other countries. This can affect stock markets internationally. In the Fatwa of the Indonesian Ulema Council, (2023) Muslims are advised to avoid as much as possible transactions and use of products affiliated with Israel and those that support colonialism and Zionism.

Theoretical Study

Event Study

Event study is a research methodology that uses financial market data to measure the impact of a specific event on company value, usually reflected in share prices and transaction volume (Ada & Jao, 2018). Event study is a study that studies market reactions to an event whose information is published as an announcement. Event studies can be used to test the information content of a financial information publication or test market efficiency (Sukirno, 202).

Shares

According to (Lam et al., 2023) shares are an official letter of proof of ownership of a company that is making a public offering (going public) in a certain nominal or percentage amount. Shareholders are company owners who can enjoy company profits compared to the capital they have contributed.

Share Prices

According to (Jogiyanto, 2019) share prices are the prices that occur on the stock market at a certain time which are determined by market players and determined by the demand and supply of the shares concerned in the capital market. Meanwhile, according to (Tjiptono & Darmadji, 2019) the share price is the price per share that applies in the capital market The share price is a very important factor and investors must pay attention to it when investing because the share price shows the issuer's performance. Share prices in the capital market consist of three categories, namely the highest price, the lowest price and the closing price. The highest or lowest price is the highest or lowest price that occurs on one trading day. The closing price is the latest price at the end of stock exchange hours.

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Research Method

Research Objects and Locations

A research location is a place used for research. This research was conducted at the Jakarta Islamic Index Company. A research object is someone's research, an object or activity that has certain variations that have been determined by the researcher to be studied and conclusions drawn (Sugiyono, 2021). The research object used is changes in stock prices.

Population

The population taken in this research was all permanent companies in the Jakarta Islamic Index for the 2023-2024 period, totaling 30 companies.

Sample

The sampling method applied in this research was purposive sampling. Based on the criteria above, the number of companies used as samples is 14 companies.

Data Collection Techniques

This research is event study research with windows The trading day period is based on stock price observations 6 days before the date of the Sustainability Reporting Awards announcement, at the time of the earnings announcement and 6 days after the war. The window period can be seen in the following image:

t0

1 Oct 23   7 Oct   14 Oct

Before the War   When the War happened   During the War
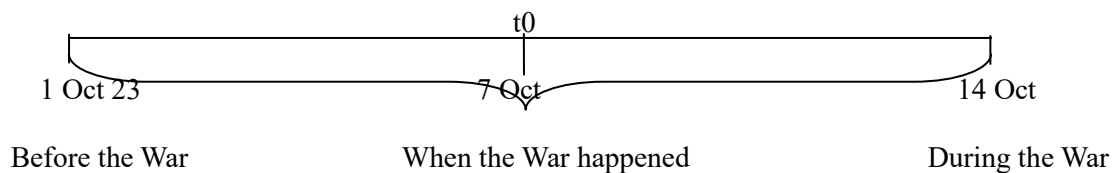
Based on the table above, it shows that the research method used is quantitative with the type of event study research. Event study is a research methodology using financial market data that is used to measure the impact of a specific event on company value as reflected in share prices. The observations carried out in this event study were 13 days, namely 6 days before (t-2), the day of the event (t), and 6 days during the event (t+2). In this research the methodology for event study follows the following procedure:

1. Collect company data during the event you want to researched.
2. Determine the exact day or date of the event and determine it as day 0. The event occurred on October 7, 2023
3. Determine the research period or *event window.*

Data Analysis Method

To achieve the objectives of this research, the method used is the Paired Samplet Test or Wilcoxon Signed Rank Test analysis model depending on the distribution of the data. The analysis was carried out using SPSS 20.0 software. Previously, the collected data would be analyzed in stages by carrying out descriptive statistical analysis first. Next is done statistical testing with a normal distribution test using the Kolmogorov-Smirnov test.

For the next stage, partial hypothesis testing is carried out for each research variable using the Paired Sample T-Test analysis test if the data is normally distributed and the Wilcoxon Signed Rank Test analysis model if the data is not normally distributed. To improve the quality of research results, another test used is the t test. In this study, the significance level or error probability for rejecting H0 for all tests was determined to be 0.05 or 5%.

Research Results and Discussion

Normality Test

The Normality Test aims to test whether in the regression model the dependent variable and independent variable both have a normal distribution or not. A good regression model has a normal or close to normal distribution. The normality test on investor reactions seen from *abnormal returns* using statistical analysis through the *Kolmogrov Smirnov* (Ks) test with computer tools using the SPSS 20.0 program, canbe seen as follows:

Table 1 Normality Results AB

One-Sample Kolmogorov-Smirnov Test		before	post
N		85	85
Normal Parameters, b	Mean	.0882	-.0275
	Std. Deviation	.05831	.15631
Most Extreme	Absolute	.101	.143
	Positive	.101	.143
Differences	Negative	-.088	-.109
Test Statistic		.101	.143
Asymp. Sig. (2-tailed)		.200[c,d]	.150[c]
a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors Significance Correction.			
d. This is a lower bound of the true significance.			

Source: Research Results (2024)

According to Ghozali (2018), if the significant value is > 0.05, the data distribution isnormal. Based on the table above, it shows that 28 observations using the Kolmogorov- Smirnov Test show Sig. > alpha or 0.200 > 0.05 for the period before the upheaval of theIsraeli and Palestinian war and 0.150 for the period after the upheaval of the Israeli and Palestinian war so it can be concluded that the data is normally distributed. According to Ghozali, if the significance value is greater than 5% (0.05), the data is declared normally distributed and vice versa, if the significance value is smaller than 0.05, it can be concluded that the data in the research is not normally distributed.

Furthermore, the results of normality testing on investor reactions as seen from trading volume activity using statistical analysis through the Kolmogrov Smirnov (Ks) test with computer tools using the SPSS 20.0 program, can be seen as follows:

Table 2 Normality Results TVA

One-Sample Kolmogorov-Smirnov Test		before	post
N		85	85
Normal Parameters,	Mean	-.0075	.0007
	Std. Deviation	.01480	.01740
Most Extreme	Absolute	.097	.092
Differences	Positive	.074	.092
	Negative	-.097	-.070

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Test Statistic	.097	.092
Asymp. Sig. (2-tailed)	.048[c]	.072[c]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

According to Ghozali (2018), if the significant value is > 0.05, the data distribution is normal. Based on the table above, it shows that 28 observations using the Kolmogorov-Smirnov Test show Sig. > alpha or 0.048 < 0.05 for the period before the upheaval of the Israeli and Palestinian war and 0.072 for the period after the upheaval of the Israeli and Palestinian war so it can be concluded that the data is normally distributed. According to Ghozali, if the significance value is greater than 5% (0.05), the data is declared normally distributed and vice versa, if the significance value is smaller than 0.05, it can be concluded that the data in the research is not normally distributed.

Different Test

Results: In this study, to see differences in the stock market reaction of the Jakarta Islamic Index Company to the upheaval of the Israeli and Palestinian wars, atest was used, namely the Paired t-test sample because the data in the study was normally distributed. The results of the different tests for each variable are as follows:

Table 3
The Results Difference AB

		Paired Differences					t	f	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Before - Post	.00368	.02536	.00275	-.00179	.00915	1.339	4	.184

Source: Research Results (2024)

Based on the table above, it can be explained that this research used a paired t test. The paired t test is used if the data in the study is normally distributed. Based on the table above, it can be explained that the Paired Sample t-test output shows sig.(2-tailed) > alpha (0.184 < 0.05). The research results show that statistically there is no difference in the reaction of the Jakarta Islamic Index stock market before the turmoil of the war and after the war in Israel and Palestine. This means that the war between Israel and Palestine did not react to the stock market in Indonesia, especially the Jakarta Islamic Index Stock Market, but on average it gave positive returns. Meanwhile, the reaction of the Jakarta Islamic Index stock market is seen based on trading volume activity, namely as follows:

Table 4.4

Test   **Results**

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	Before - Post	-.00811	.02139	.00232	-.01273	-.00350	-3.497	4	.001

Difference TVA

Source: Research Results (2024)

Based on the table above, it can be explained that this research used a paired t test. The paired t test is used if the data in the study is normally distributed. Based on the table above, it can be explained that the Paired Sample t- test output shows sig.(2-tailed) < alpha (0.001 < 0.05). The results of the research show that statistically there is a difference in the reaction of the Jakarta Islamic Index stock market before the turmoil of the war and after the Israeli and Palestinian wars. In this research the market reacted negatively resulting in a decline of 0.00811.

Discussion

Differences in *Jakarta Islamic Index* Stock Market Reaction Before and After the Turmoil of the Israeli and Palestinian War

Based on the results of the paired sample t-test, it shows that there is no difference in the *Jakarta Islamic Index* Stock Market Reaction Before and After the Turmoil of the Israeli and Palestinian War. The turmoil between the Israeli and Palestinian wars has historically been an event that influences global markets, including stock markets in various countries. This indicates that this event had a different impact on the stock market in Indonesia.

Analysis of the results of the paired sample t-test shows that there are significant differences in the reaction of the Jakarta Islamic Index stock market before and after the turmoil of the Israeli and Palestinian War. These differences reflect changing market responses to geopolitical events that affect regional stability and security. Prior to the turmoil, the stock market may have exhibited lower levels of uncertainty or may have accounted for various other factors that supported market performance. However, once the turmoil occurs, the stock market is likely to experience a more dramatic reaction as investors adjust their portfolios in the face of increased geopolitical risks.

Differences in abnormal returns, which are measured as the difference between actual returns and expected returns, can also indicate changes in market perceptions of the economic and political prospects in Indonesia and the surrounding region. There may be increased anxiety or uncertainty leading to significant adjustments in stock prices. Factors such as political uncertainty, potential supply disruptions and impacts. The economics of international conflict can all contribute to differences in market reactions before and after turmoil.

These findings are important because they provide insight into how the Indonesian stock market responds to significant global events. This reinforces the importance of considering geopolitical factors in investment analysis and economic decision making. In addition, these findings can also be used by capital market regulators and policy makers to understand stock market dynamics in facing complex external challenges. In conclusion, this analysis

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highlights the complexity of capital markets and emphasizes the need for a deep understanding of the factors that influence marketreactions in the face of geopolitical turmoil.

The existence of a boycott of the products of several companies suspected of having support or links to Israel in the context of the Jakarta Islamic Index (JII) could be a factor influencing the stock market reaction before and after the turmoil of the Israeli and Palestinian War. This boycott could be one of the factors that also influences investors' perceptions of the performance of the company's shares in the index.

Investors have been anticipating potential boycotts or negative reactions to companies involved in the controversy surrounding the Israeli and Palestinian wars. This can be reflected in the performance of these shares before the turmoil, where share prices experienced a decline or higher volatility due to market speculation regarding a potential boycott.

After turmoil occurs, the stock market's reaction to companies involved in the controversy can be more dramatic. Announced boycotts or potential consumer actions to boycott these products could impact the financial performance and reputation of these companies. In this case, the abnormal returns measured in the analysis before and after the turmoil could reflect the direct impactof the boycott on the stock prices of the companies involved.

Conclusion and Suggestion

Conclusion

Based on the results of the research and discussion, the researcher concluded that by using abnormal returns it could be concluded that there was no difference in the reaction of the Jakarta Islamic Index stock market before and after the turmoil of the Israeli and Palestinian wars. Meanwhile, by using trading volume activity, it can be concluded that there are differences in the reaction of the Jakarta Islamic Index stock market before and after the turmoil of theIsraeli and Palestinian wars. This indicates that there was a change in stock prices after the turmoil of the Israeli and Palestinian war.

Suggestion

Investors are expected to always monitor the latest developments related to conflicts and geopolitical turmoil that may affect the stock market. Timely information and a deep understanding of the potential impact on the stock market will help make better investment decisions. Companies need to improve risk management related to the social and political impact of geopolitical controversies. This includes considering the potential risks of a boycott of the company's products and services and taking proactive steps to mitigate those risks. Future researchers could conduct in-depth case studies of specific companies that experienced significant impacts from geopolitical turmoil and boycotts, including analysis of communication strategies, risk management, and long-term impacts on financial performance and corporate reputation and consider conducting market sentiment analysis using text data, such as social media, online news, and company reports, to understand investors' perceptions and attitudes toward companies involved in controversies geopolitics. This can provide additional insight into non-financial factors that influence share prices.

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