

Presidential elections, stock market reactions and investor sentiment in Mexico

ELECCIONES PRESIDENCIALES, REACCIONES DEL MERCADO DE CAPITAL Y
EL SENTIMIENTO DE LOS INVERSIONISTAS EN MÉXICO

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ABSTRACT. The aim of this paper is to analyze the effect of presidential elections in Mexico on the Mexican Stock Exchange by assessing possible significant changes on its behavior during the presidential elections using the Analysis of Variance (ANOVA) analysis. Structural changes were identified in two of our analyzed samples, so the hypothesis of an existing influence of the elections on investor sentiment and so on stock prices is partially accepted. A more detailed analysis of these changes is suggested in order to better understand the behavior of investors and their influence on financial markets.

Key words: investor sentiment, financial markets, behavioral finance.

JEL classification: G02, G12, G14, G15.

RESUMEN. El objetivo de este trabajo es analizar el efecto que tienen las elecciones presidenciales en la Bolsa Mexicana de Valores, mediante la evaluación de

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posibles diferencias significativas en su comportamiento durante los años de elecciones presidenciales, usando el análisis ANOVA. Se identificaron cambios estructurales en dos de las muestras analizadas, por lo que se acepta parcialmente la hipótesis de la influencia de las elecciones en el sentimiento de los inversionistas y en los precios de las acciones. Se sugiere un análisis más detallado de dichos cambios, con el propósito de comprender mejor el comportamiento de los inversionistas y su influencia en los mercados financieros.

Palabras clave: sentimiento de inversionistas, mercados financieros, finanzas conductuales.

Clasificación JEL: G02, G12, G14, G15.

1. INTRODUCTION

Standard finance theories, such as the *Efficient Market Hypothesis* (Fama, 1970) and the *Capital Asset Pricing Model* (Sharpe, 1964), assume informational efficient markets and rational investors. However, in practice, it can be seen that the theoretical concept of rationality is subject to natural limits according to knowledge structures, analytical capabilities, processing capacities, and access to information. Simon (1955) realized that every individual underlies physical, mental and neural limitations and, therefore, simply cannot act constantly rational.

Based on the *Theory of Bounded Rationality* of Simon (1955), behavioral finance studies the financial decisions that happen in divergence from the rationality postulate. Huang, Shieh & Kao (2016) identify behavioral finance as an interdisciplinary field that combines theories of the areas classic economics, finance and psychology. Consequently, in behavioral finance the focus lies on the decision making and behavioral patterns of real people and their implications for market development. A relatively new concept in this area is the one of investor sentiment, which reflects the degree of optimism or pessimism among the market participants (Kling & Gao, 2008), and has become fundamental to understand the capital markets and to explain the price building processes within them.

On this basis, the current paper aims to analyze the effect of presidential elections in the Mexican Stock Exchange (BMV in Spanish), and for this, we

test the presence of significant changes in the behavior of the BMV during the presidential electoral years, assuming that this behavior is a sign of a particular kind of investor sentiment.

According to the Mexican Constitution, presidential periods have a length of six years, with no reelection. Hence, the last of these six years is considered a transition year, because the public attention is focused on who will be the next president. Of course, that transition year is characterized by the expectations about the course that the country will take in the subsequent years, and a high degree of uncertainty in both the political and the economic area. In consequence, it is straightforward to assume that this scenario could generate a particular investor sentiment that may have an impact in the development of the financial markets.

Since the general development of the BMV is represented by the Prices & Quotations Index (IPC in Spanish), any particular investor sentiment would be reflected in a significantly different behavior of the IPC. If any significant difference is existent, that would be manifested as a structural change in the IPC's trend.

In order to identify the presence of those structural changes, we perform a series of structural stability tests based on the ANOVA analysis; which contains all the elements needed to test from a statistical point of view whether or not there exist differences in the trend of the IPC in electoral years. Those results would give the evidence to affirm if whether or not the BMV is influenced by any particular investor sentiment in electoral years originated by the uncertainty of the presidential elections. In other words, the approach of this research is to find an explicit link of election-induced stock market reactions to investor sentiment in Mexico.

To this end, this paper is organized as follows. In section two we introduce the fundamentals of investor sentiment, as well as some basics of the stock market and presidential elections in Mexico. In section three we present the methodology we followed. In section four we discuss our findings, and finally, in section five we present the main conclusions and theoretical implications of this study.

2. LITERATURE REVIEW

2.1. *Basics of investor sentiment*

Investor sentiment is the degree of optimism or pessimism among the market participants (Kling & Gao, 2008). According to De Bondt (1993), it depends on the prevailing market conditions. That is, in markets with a positive price trend the investors tend to become optimistic, and vice versa. The formation of an optimistic investor sentiment can be explained with factors such as a positive investment environment, continuously rising market prices and profits, a positive coverage in the news media and interpersonal communication referring the market. On the other hand, a pessimistic sentiment evolves in the opposite scenario. Therefore, the term positive or negative refers to the expectations about the future prospects of a market or an asset.

Nevertheless, the sentiment of the investors may be justified or not. A justified sentiment is based on a rational expectations of the market participants. So it is absolutely natural that in an environment characterized by favorable aspects like an economic boom, a major innovation or capital gains tax cuts, some kind of normal optimistic sentiment will evolve. An unjustified sentiment is existent when there is an excess of optimism or pessimism among investors, as the result of irrationalities and erroneous expectations, such as mistakes in the perception and interpretation of the available fundamental information, the implementation of non-fundamental aspects into the investment decision process or inadequate reporting of the media.

Accordingly, short-term mispricings between fundamental values and market prices can be explained by an excessive sentiment of the participating investors. For instance, Leger & Leone (2008) conclude that an excessive optimism contributed to the evolution of the dotcom bubble in the UK.

2.2. *Effects and determinants of investor sentiment*

Generally, investor sentiment has an influence on the expectations formed by the investors and on their risk-taking behavior. It is straightforward to see that an optimistic sentiment leads to stronger buying behaviors and more risk-aggressive attitudes, because the market participants form

positive expectations about the future prospects of the assets; while pessimistic market participants form negative expectations, show a stronger selling behavior and can be characterized as risk-averse (Bange, 2000; Nofsinger, 2005).

In general, one can assume that there exists a two-way relationship between the sentiment of the investors and the state of the market. In one direction, an existing sentiment affects both the expectations and the risk-taking behavior of the investors, with a direct impact in market prices as investors implement their expectations into market prices (Shen, Yu & Zhao, 2017; Sun, Najand & Shen, 2016; Yang & Zhou, 2015). But at the same time, moving market prices affect investor sentiment as past movements in prices are critical in the development of optimism or pessimism referring to the future prospects of an asset (Brown & Cliff, 2004; Kling & Gao, 2008). Consequently, a clear causation between market prices and investor sentiment is not that evident.

2.3. Determinants of investor sentiment

Rational and irrational factors that influence investor sentiment can be identified (Verma, Baklaci & Soydemir, 2008). Rational factors change directly the fundamental values of a specific asset or a market, such as the state of the economic activity of a country, a war, a major innovation or political changes. Consequently, irrational factors does not have any relation with fundamental values and therefore cannot cause any change in them, such as past market prices or any kind of emotional state of the investors.

Both categories can result in changing market prices, but just rational factors go along with a justified investor sentiment, because the influence of irrational factors can lead to an unjustified investor sentiment as they also result in irrational expectations. That is, that irrational factors are not related with changes of fundamental values, but result in changing market prices and in a mispricing.

2.4. The interrelation of politics and the stock market

Mayor political events can be critical to the economic and financial perspectives of an industry or the whole country. In other words, as expressed by Chien, Mayer & Wang (2014), policies *affect the ability of businesses and the general*

economy to prosper (p. 159). Especially, the influence of presidential elections on stock markets is a popular area of research with a clear focus on US studies.

For example, Chien *et al.* (2014) investigate the predictive power of the change in stock prices that occurs immediately after a presidential election for GDP growth and unemployment rates in the following term of the presidential administration. They found that the post-election market movement has been quite precise in predicting the future GDP growth. The authors link this correlation to improved market efficiency and conclude that their model is *a good starting point for judging the economic potential of new presidential administrations* (Chien *et al.*, 2014: 160). On other hand, Addoum & Kumar (2016) show that shifts in the US political system result in systematic changes in firm cash flows and in the composition of investor portfolios what causes changes in firms' market prices.

Other studies focus on the uncertainty among market participants, as bondholders and rating agencies, which view elections as periods of increased risk (Martínez & Santiso, 2003). Goodell & Vähämaa (2013) quantify market uncertainty using the VIX (CBOE Volatility Index), a volatility measure that uses the implied volatilities of an ample range of S&P500 index options. The authors conclude that *the presidential election process engenders market anxiety as investors form expectations regarding changes in macroeconomic policy* (Goodell & Vähämaa, 2013, p. 1108).

Pantzalis, Strangeland & Turtle (2000) show in an international study with 33 countries for the period 1974 to 1995 that stock prices generally rise during the two weeks prior to election week. The authors argue that uncertainty about the outcome of the election decreases in the two weeks prior to it, that result in an increase in stock prices. In the same sense, Goodell & Bodey (2012) found that market volatility decreases as the probable winner of the election becomes clearer. In this regard, Coquemas & Whaley (2016) could not find any systematic difference in US stock market performance during Republican or Democratic administrations.

Most of empirical studies in this field focuses on the US market. Nevertheless, there exists also a considerable number of studies with a different emphasis. Martínez & Santiso (2003) highlight the differences between developed

and emerging countries. According to the authors, the relationship between politics and the stock market is much stronger in emerging countries. They justify their findings with the existence of strong and stable institutions in industrialized countries, in opposite with the institutional weakness of developing countries

2.4. Politics and the stock market in Mexico

According to the Mexican Political Constitution, the President of the Republic is the individual in charge of the Supreme Executive Power of the Union. The election of the president is by direct vote, and his mandate has a length of six years with no reelection whatsoever. In most part of 20th century, the president of Mexico was designated de facto by the official Institutional Revolutionary Party (PRI, for its abbreviation in Spanish), so, that period of Mexican history is considered as a single-party political system (Pacheco, 2004; Reyes, 2014).

The first attempts to build a truly democratic system can be dated back to 1968 (Woldenberg, 2007), with some observed results from 1979 to 1994 (Pacheco, 2004). Woldenberg (2007) states that the most critical period in the formation of the current democratic system in Mexico was between 1988 and 1996, when the major democratic institutions and procedures were established. As result, the first democratic transition in a modern presidential election in Mexico took place in the year 2000, as the PRI lost its power to the PAN (National Action Party) (Pacheco, 2004; Woldenberg, 2007; Reyes, 2014).

During that period, the main political parties of the country were the aforementioned PRI, PAN, and the Democratic Revolution Party (PRD, in Spanish) (Pacheco, 2004; Reyes, 2014). Still today the Mexican political landscape is dominated by these three main parties, with the addition of the more recent party National Regeneration Movement (MORENA, for its abbreviation in Spanish).

As stated above, political events may have great effects on the economic development and financial markets of developing countries. For this reason, this paper focuses on the impact of the Mexican political environment on

the development of the BMV. The BMV is the forum where the securities trading takes place in Mexico, and its purpose is to facilitate those operations and to promote its own development, expansion and competitiveness (Grupo BMV, 2017).

The first private trading operations in Mexico took place back in 1880, however, it was in 1975 when the modern BMV was born. Nowadays, the BMV is a global market which operates through an electronic system and integrates several companies that offer infrastructure and information services to the participants of the market (Grupo BMV, 2017).

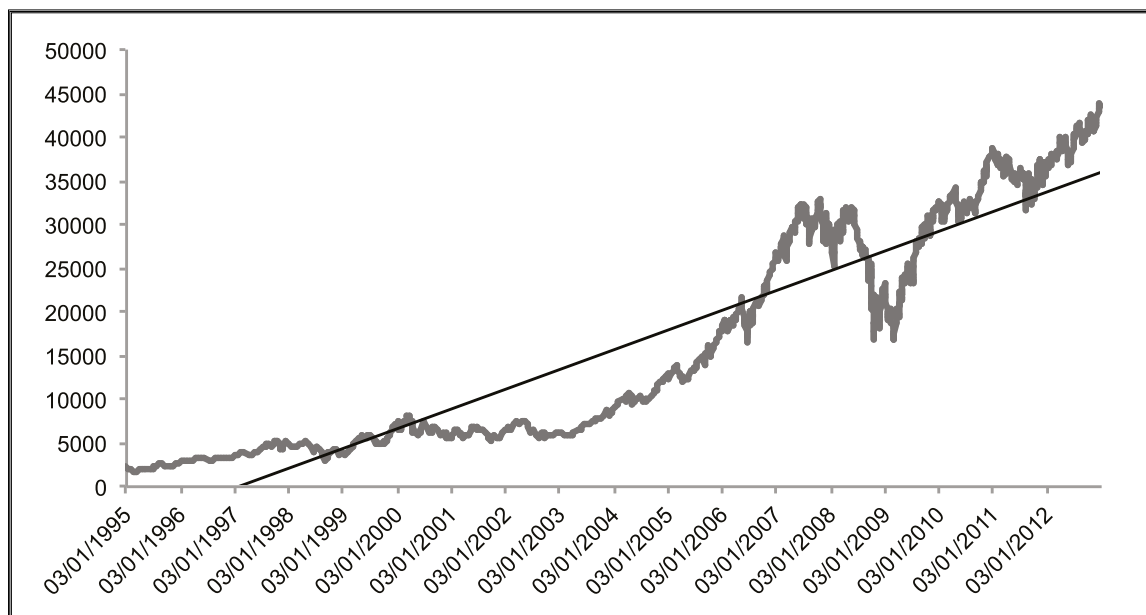
In order to provide a measure of the overall market behavior, the BMV has designed several indexes with different scopes and specialties. The main index of the BMV is the Prices & Quotations Index (IPC in Spanish), which measures the variations of the stock prices of a weighted sample of 35 Mexican companies that are representative of the capital market (Grupo BMV, 2017).

2.5. Methodology

This paper aims to analyze the effect of presidential elections in Mexico on the BMV. For this purpose, our objective is to test if whether or not there are significant changes in the behavior of the BMV during the presidential electoral years, in comparison with non-electoral years, assuming that this behavior is a sign of a particular kind of investor sentiment. To this end, we use the daily data of the level of IPC from December 1994 to December 2012, which includes the complete presidential periods of the last three former Mexican presidents: Ernesto Zedillo Ponce de León (1995-2000), Vicente Fox Quesada (2001-2006) and Felipe de Jesús Calderón Hinojosa (2007-2012) (figure 1).

We assume IPC depends on time, as in equation (1):

$$E(IPC_t) = \alpha + \beta t + u_t \quad (1)$$



Source: own elaboration with data from Yahoo! Finance (2017).

FIGURE 1
IPC levels from January 1995 to December, 2012 (daily)

Where:

$E(IPC)$ = expected value of the IPC

α = constant term

β = slope of the linear function

t = time

u_t = error term

This assumption can be justified by the random walk hypothesis. According to Fama (1965) this hypothesis states that changes in market prices are described as an independent random variable. Therefore, the current market price is the best estimator for the following price. Based on this, we assume that the behavior of IPC is a variable dependent on time, due the goodness of fit of the linear relation between these two variables, as can be seen in table 1.

TABLE 1
Goodness of fit of equation 1

Indicator	Value
r^2	0.86
p-value	0.00

Source: own elaboration.

If there is any effect of presidential elections in Mexico on the investor sentiment and on the price behavior of the BMV, it is straightforward to expect that the relation between IPC and time may vary when those sentiments are present. That means, that an optimistic sentiment about the political outcomes may favor rising markets, and *vice versa*. In order to verify so, we will perform a series of tests with the purpose to identify the presence of possible structural changes in the trend of IPC over time.

A structural change is defined as the inconsistency of the parameters that explain a dependent variable, when time is involved; on the contrary, when the parameters that explain a dependent variable are consistent, is known as structural stability (Gujarati, 2004). One way to test the structural stability is the ANOVA analysis, with which it is also possible to identify in which part of the explicative function the structural changes take place.

The first step of our analysis is to divide the data in three samples, corresponding to the three presidential periods under investigation. Noticing that the change of powers in Mexico takes place in October, according to the Political Constitution, we consider the electoral year as part of the outgoing president period, as shown in table 2.

TABLE 2
Data samples

Year	Ernesto Zedillo	Vicente Fox	Felipe Calderón
first year	1995	2001	2007
last year	2000	2006	2012

Source: own elaboration.

The analysis of variance (ANOVA) that we perform is based on equation (2):

$$IPC_t = \alpha_1 + \alpha_2 D_t + \beta_1 t + \beta_2 (D_t t) + u_t \quad (2)$$

Where:

IPC_t = expected value of IPC at time t

t = time.

α_2 = differential intersection for the electoral year. This represents the value of IPC independent from *time*

β_2 = differential slope for the electoral year

D_t = it takes the value of 1 if the observed IPC corresponds to an electoral year or 0 if otherwise

u_t = error term

Hence, the function to explain the IPC over time for non-electoral years is:

$$E(IPC|D_t = 0, t) = \alpha_1 + \beta_1 t \quad (3)$$

And the IPC for electoral years is:

$$E(IPC|D_t = 1, t) = (\alpha_1 + \alpha_2) + (\beta_1 + \beta_2)t \quad (4)$$

From this, there are four possible outcomes:

- a) There is not any structural change, neither on the intersection nor the slope.
- b) There is a structural change on the intersection, but not on the slope.
- c) There is a structural change on the slope, but not on the intersection.
- d) There are structural changes on both, the intersection and the slope.

Therefore:

- a) If $H_0: \alpha_2 = 0$ and $\beta_2 = 0$. We accept statement.
- b) If $H_0: \alpha_2 \neq 0$ and $\beta_2 = 0$. We accept statement.
- c) If $H_0: \alpha_2 = 0$ and $\beta_2 \neq 0$. We accept statement.
- d) If $H_0: \alpha_2 \neq 0$ and $\beta_2 \neq 0$. We accept statement.

To test these hypotheses, we use the *p-value* from the *T test for individual significance*, for each estimated coefficient. This value shows the precise confidence level of the estimated *T* from the *aforesaid test*, according to the following interpretation:

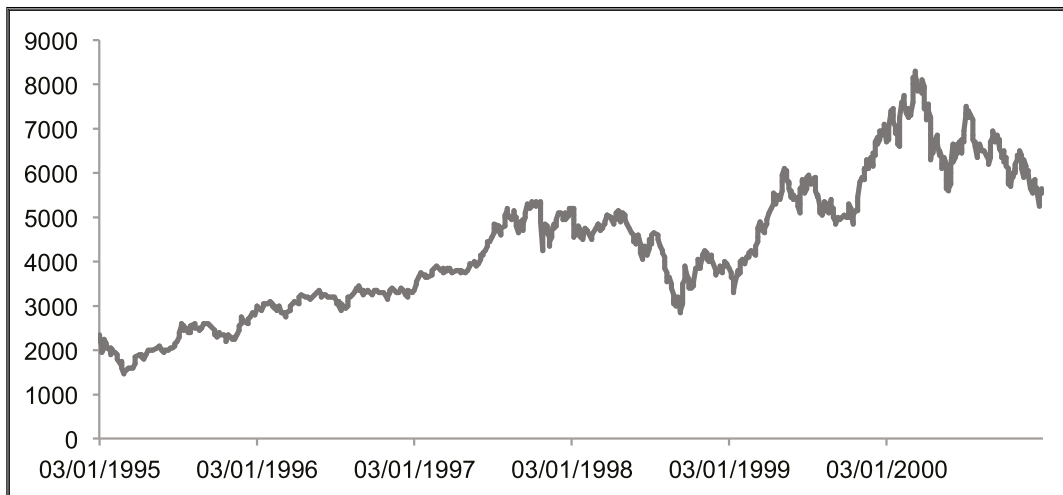
- a) If $p_{\alpha_2} > 0.05$ and $p_{\beta_2} > 0.05$: We accept statement.
- b) If $p_{\alpha_2} < 0.05$ and $p_{\beta_2} > 0.05$: We accept statement.
- c) If $p_{\alpha_2} > 0.05$ and $p_{\beta_2} < 0.05$: We accept statement.
- d) If $p_{\alpha_2} < 0.05$ and $p_{\beta_2} < 0.05$: We accept statement.

If we observe any structural change, either on the intersection, on the slope or both; we assume that is a sign of a change in investor sentiment representing the expectations of market participants referring to different political scenarios.

Findings

Sample 1: Zedillo administration

The first sample corresponds to the term of the former president Zedillo. Since we are considering complete years, our sample is from 1995 to 2000; and we assume that a possible structural change may took place on 2000. In figure 2 can be seen the IPC's behavior during that period.

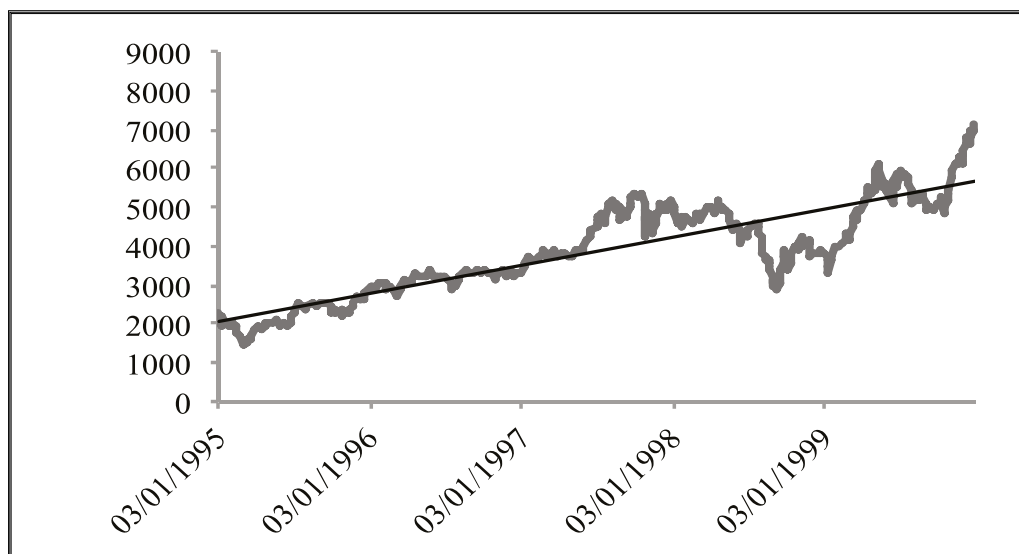


Source: own elaboration with data from Yahoo! Finance (2017).

First, we divided the data into two sub-periods, as in figure 3.

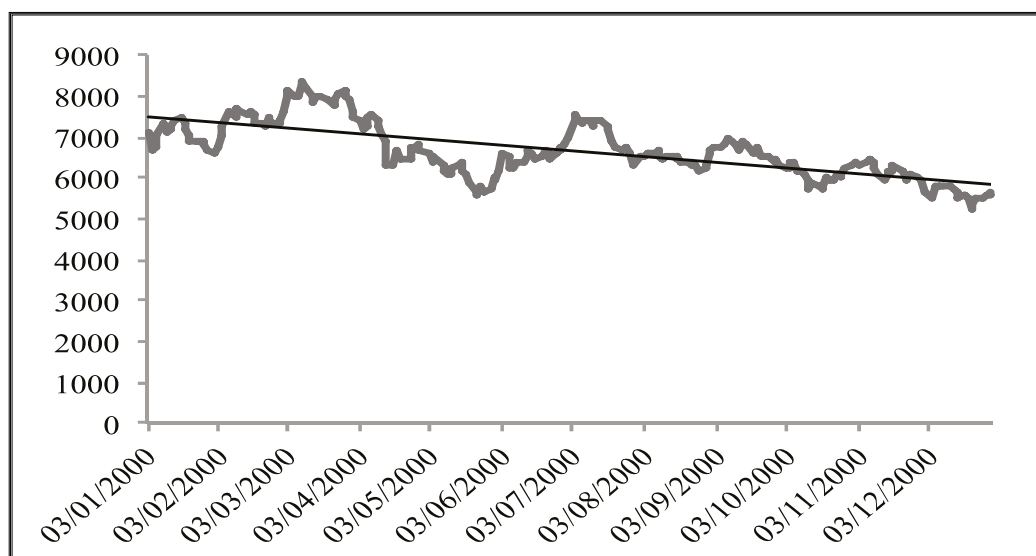
FIGURE 2
IPC in Zedillo administration

Non-electoral years (1995-1999)



It is possible to see in figure 3 a clear change of the trend of IPC over time during the electoral year. Nevertheless, it is important to perform a statistical analysis in order to confirm this possibility with an acceptable confidence level. Therefore, in table 3 we present the results of the ANOVA analysis to verify if whether or not there is a structural change in this period.

Electoral year (2000)



Source: own elaboration with data from Yahoo! Finance (2017).

FIGURE 3
Sub-periods of IPC in Zedillo administration

From table 3 we can get the function to explain the IPC over time, during the non-electoral years (equation 6) and the electoral year (equation 7) in this mandate.

$$E(IPC|D_t = 0, t) = 2054.30 + 2.89t \quad (6)$$

$$E(IPC|D_t = 1, t) = 15700.14 - 6.56t \quad (7)$$

TABLE 3
ANOVA analysis of structural change in the IPC for the Zedillo administration

	Coefficients	p-values
α_1	2 054.30	0.00
β_1	2.89	0.00
α_2	13 645.84	0.00
β_2	- 9.45	0.00

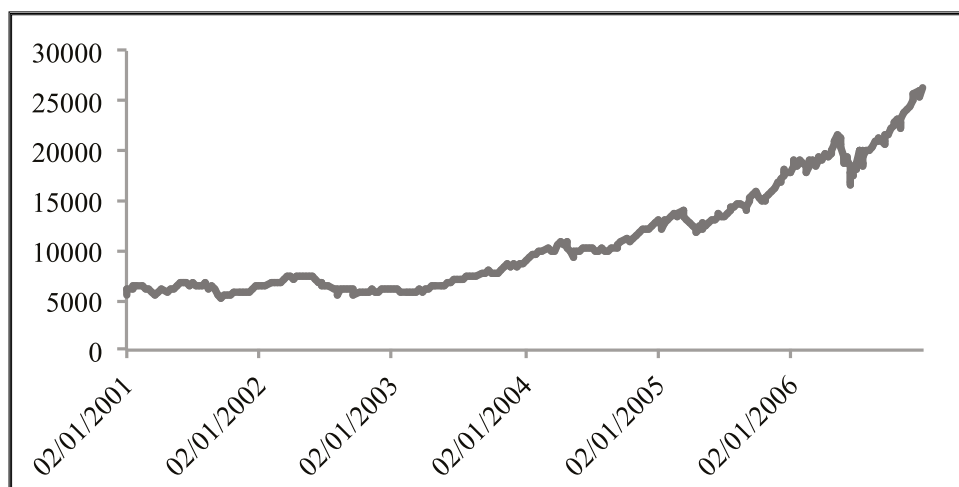
Source: own elaboration.

In table 3 can be seen that the *p-value* of both α_2 and β_2 are 0.00. This means that there is statistical evidence to confirm structural changes on both, the intersection and the slope, in this period. Therefore, we conclude that during the Zedillo administration there were significant changes on the IPC in the presidential electoral year, in comparison with non-electoral years. Furthermore, the direction of the trend of the IPC in the electoral year is the opposite of non-electoral years. From a political point of view, it is justified to assume that a particular investor sentiment influenced the negative development of the BMV. It is important to remember that the first democratic transition of the country took place in that year, hence, it is straightforward to assume that some volatility was originated because of political uncertainty.

As a consequence, part of the market decline could be explained by a negative investor sentiment in that year. Hence, investors implement those worsened expectations into market prices by a stronger selling behavior. Nevertheless, it is relevant to notice that also some global factors, like the crash of the New Economy Bubble, influenced negatively the development of the BMV in 2000.

Sample 2: fox administration

The second sample corresponds to the term of the former President Fox, from 2001 to 2006, which is shown in figure 4.

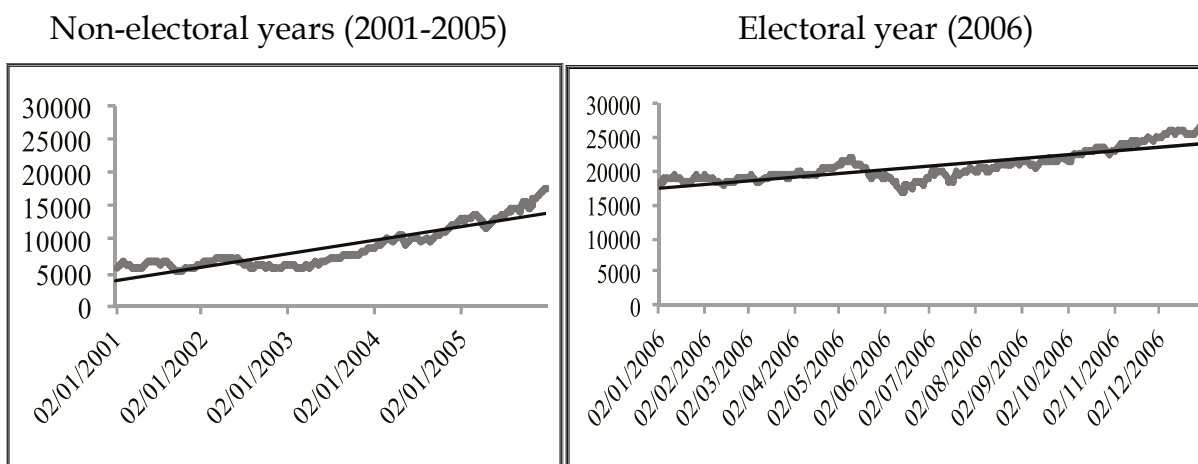


Source: own elaboration with data from Yahoo! Finance (2017).

FIGURE 4

IPC in Fox administration

The *non-electoral years* (2001-2005) and the electoral year (2006) of this sample are shown in figure 5.



Source: own elaboration with data from Yahoo! Finance (2017).

FIGURE 5

Sub-periods of IPC in Fox administration.
Non-electoral years (2001-2005) electoral year (2006)

In figure 5 it is not clear to affirm the existence of any change of the trend of IPC in the electoral year. For this reason, it is important to perform the statistical analysis to confirm whether or not there is any structural change in the analyzed period with an acceptable confidence level. The results of such analysis are presented in table 4.

TABLE 4
ANOVA analysis of structural change
in the IPC for the Fox administration

	Coefficients	<i>p-values</i>
α_1	3848.75	0.00
β_1	8.06	0.00
α_2	-19677.59	0.00
β_2	18.26	0.00

Source: own elaboration.

The expected *value* of the IPC over time during the non-electoral years of Fox's mandate is shown in equation (8) and the trend during the electoral year in equation (9).

$$E(IPC|D_t = 0, t) = 3848.75 + 8.06t \quad (8)$$

$$E(IPC|D_t = 1, t) = -15828.84 + 26.32t \quad (9)$$

The *p-value* of α_2 and β_2 are 0.00, which means that there were structural changes in the last year of this presidential period. Thus, it is valid to affirm that this behavior may be a sign of a particular investor sentiment originated by the political environment, which influenced the financial markets.

As can be seen the slope is steeper for the electoral year what implies a stronger increase of the index during the electoral year 2000. This could be explained by an optimistic sentiment during the electoral year. One reason for this could be found in the decrease of the popularity of president Fox among the Mexican population in the last months of his mandate. President Fox started his mandate with a popularity of almost 70%, and terminated

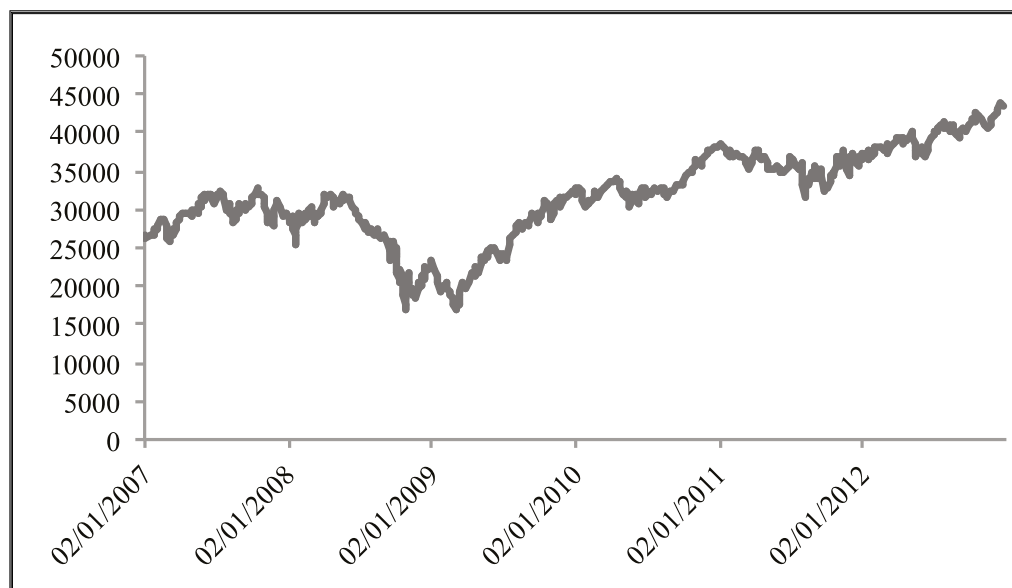
with just 51%, with a strong decrease in the seven months prior to the elections (Parametría, 2006).

However, one needs to be conscious that investor sentiment solely can be a partial explanatory variable among others. For instance, in 2006 the Mexican economy grew 4.9%, which was the strongest increase during the years between the recessions of 2001 and 2009 (Banco Mundial, 2016).

Sample 3: Calderón administration

The third sample corresponds to the term of the former President Calderón, from 2007 to 2012. The IPC's behavior during that period can be seen in figure 6.

FIGURE 6
IPC in Calderón administration



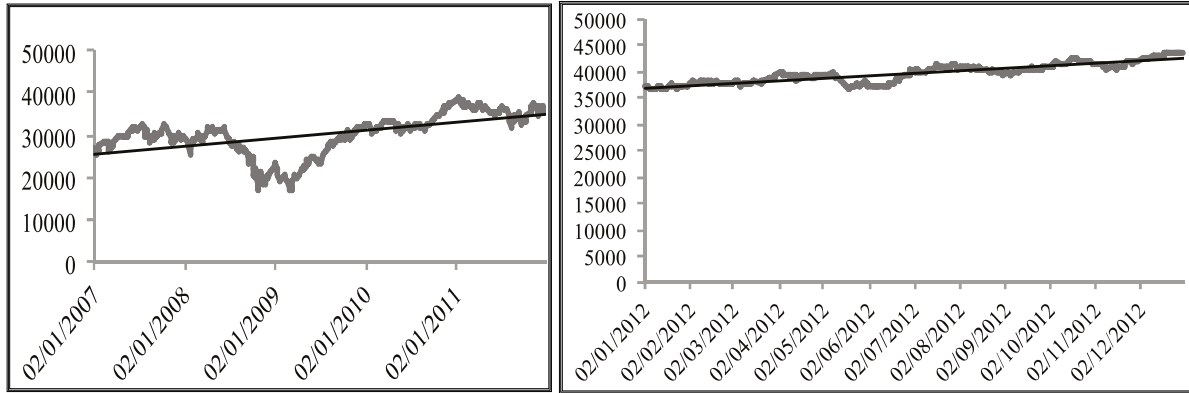
Source: own elaboration with data from Yahoo! Finance (2017).

The *non-electoral years* (2007-2011) and the *electoral year* (2012) of this period are shown in figure 7.

FIGURE 7
Sub-periods of IPC in Calderón administration

Non-electoral years (2007-2011)

Electoral year (2012)



Source: own elaboration with data from Yahoo! Finance (2017).

In table 5 we present the results of the ANOVA analysis performed to test whether or not there is any structural change in this period.

TABLE 5
ANOVA analysis of structural change in the
IPC for the Calderón administration

	Coefficients	<i>p-values</i>
α_1	25458.58	0.00
β_1	7.56	0.00
α_2	-16922.03	0.00
β_2	14.98	0.00

Source: own elaboration.

Equation (10) represents the function to explain the IPC over time during the non-electoral years of the mandate of the former president Calderón, and equation (11) is for the electoral year.

$$E(IPC|D_t = 0, t) = 25458.58 + 7.56t \quad (10)$$

$$E(IPC|D_t = 1, t) = 8536.55 + 22.54t \quad (11)$$

The *p-value* of both α_2 and β_2 are 0.00, which means that significant changes on the BMV on the last year of the mandate of president Calderón can be verified. Therefore, one could assume that the investor sentiment could have been influenced by the political environment of the country in 2012.

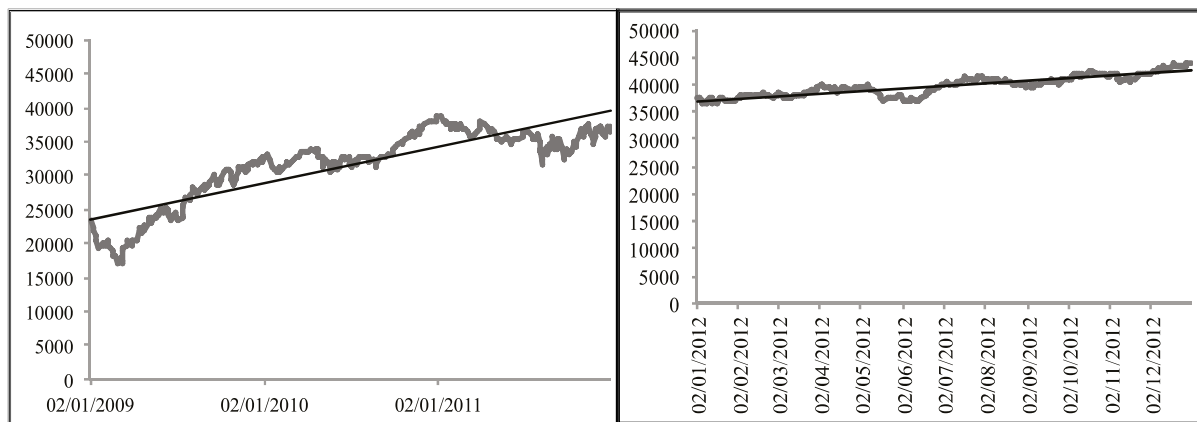
The slopes for the non-electoral years and the electoral year are both positive again, with a steeper one for the electoral year. But, in this case we do not assume that investors were longing for a presidential change for two reasons: 1) Former president Calderón maintained high approval ratings throughout his entire mandate (Parametría, 203); and 2) In 2008 and 2009 Mexico suffered the consequences of the subprime crisis. Thus, we assume that the structural change observed in the IPC during the Calderón mandate is explained mainly by this crisis, rather than political expectations.

For this reason, we performed an additional analysis excluding the years of the crash of the subprime crisis. The new sub-samples are shown in figure 8.

FIGURE 8
New sub-periods of Calderón administration

2009-2011

2012



Source: own elaboration with data from Yahoo! Finance (2017).

The new results of the ANOVA analysis are shown in table 6.

TABLE 6
ANOVA analysis of structural change in the
IPC after the subprime crisis

	Coefficients	<i>p-values</i>
α_1	12843.49	0.00
β_1	21.23	0.00
α_2	-4306.94	0.14
β_2	1.32	0.54

Source: own elaboration.

The *p-value* of both α_2 and β_2 are >0.05 , which means that there is not enough evidence to affirm the presence of any structural change in the relation between IPC and time in the mandate of president Calderón, after the subprime crisis. It is important to notice that the stock market crash in 2008 was mainly a result of the subprime crisis in the USA, rather than an outcome of the Calderón administration. Therefore, we cannot relate the results of the last data sample to a particular investor sentiment.

3. CONCLUSIONS

The objective of this paper was to analyze the effect of presidential elections in Mexico on the BMV, assuming that this impact may be originated by the investor sentiment caused by the political environment. Therefore, we tested if whether or not there are significant changes on the behavior of the BMV during the presidential electoral years, in comparison with non-electoral years.

To this end, we analyzed the complete presidential periods of the last three former Mexican presidents: Ernesto Zedillo, Vicente Fox and Felipe Calderón. For this, we used a *structural stability test* based on the ANOVA analysis with the purpose to identify the presence of possible *structural changes* in the trend of IPC over time.

In the first two analyzed samples we found enough empirical evidence to verify the presence of structural changes in the presidential electoral years with an acceptable statistical significance. Therefore, we accept the hypothesis of an existing influence of the presidential elections on investor sentiment and, as a consequence, on the price behavior on the BMV. Furthermore, our results are in line with the idea that in emerging countries the influence of politics on stock markets is much greater than in industrialized ones. Moreover, our findings are consistent with existing studies that verify considerable levels of uncertainty before a presidential election in a country and the resulting implications for market prices.

Nevertheless, we could not find enough statistical evidence to accept an existing influence of the presidential election on the Mexican investor sentiment in the third analyzed period, because of the strong influence of the subprime crisis that took place during those years. It is important to remember that this crisis needs to be analyzed out of an international perspective and cannot be attributed to behaviors of Mexican investors. Of course, this paper is just a starting point for further research, in which the causes of those structural changes may be analyzed in more detail with the purpose to better understand the behavior of investors and their influence on financial markets.

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