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TÍTOL: Political Connections and Market Responses: Evidence from the 2024 Korean Martial Law Crisis

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Abstract:

This thesis investigates the effects of political connections to Korean president Yoon Suk-yeol on firm performance during the martial law declaration crisis in December 2024, which ultimately led to the impeachment of the president. Using an event study methodology, cumulative abnormal returns (CAR) are examined for KOSPI firms during the event. Political connections are classified into prosecutorial ties and other legal connections (SNU Law, JRTI, Pacific Law). The results suggest that firms with stronger prosecutorial connections performed worse than the baseline; a one-unit increase in the log-transformed prosecutor variable, is associated with a 3.7% decline in CAR. Other legal ties exhibit weak and inconsistent effects throughout specifications. The findings indicate that personalistic connections may increase risk when these ties become a liability or are expected to lose their usefulness.

Keywords: Political connections, Martial Law, Yoon Suk-yeol, Event Study, Cumulative Abnormal Returns, South Korea

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1. INTRODUCTION

1.1. Motivation & main findings

This thesis aims to explore if political connections to Korean president Yoon Suk-yeol affected the performance of companies listed on the Korean Composite Stock Price Index (KOSPI), during the martial law declaration scandal that took place on December 2024. In this way, the study will be able to contribute to literature assessing how connectedness affects firm performance and value in the case of a severing of the political ties due to an unexpected and/or exogenous shock. The martial law declaration event is a great candidate for analysis as it was an unexpected development that resolved quickly, causing president Yoon “political death”. It signalled early on that a change in the country’s leadership was likely. An event study was conducted by studying the effect of connectedness variables on cumulative abnormal returns (CAR) for KOSPI firms during the martial law declaration. This study found a negative and statistically significant effect of the number of former prosecutors in the board on firm’s CAR, in accordance with the intuition that close connections to the president would hinder the stock value of connected firms, as Yoon Suk-yeol served for a long time as a prosecutor in important roles, and is known for his tendency to appoint prosecutors in high-ranking government positions.

The rest of the thesis will be structured as follows: Section 1.2 provides a quick explanation on the particularities of the studied event. Next, in Section 2, basic context is offered to frame the political and economic situation that led to the event and that justifies some choices in my analysis. In Section 3, a literature review is conducted, from the first financial event studies to the modern Korean context. Section 4 presents the methodology employed to run the analysis, outlining data sources, variables, and empirical strategy. Section 5 describes the empirical results, which are interpreted and linked to relevant literature in Section 6. Lastly, Section 7 closes with conclusions on the overall thesis.

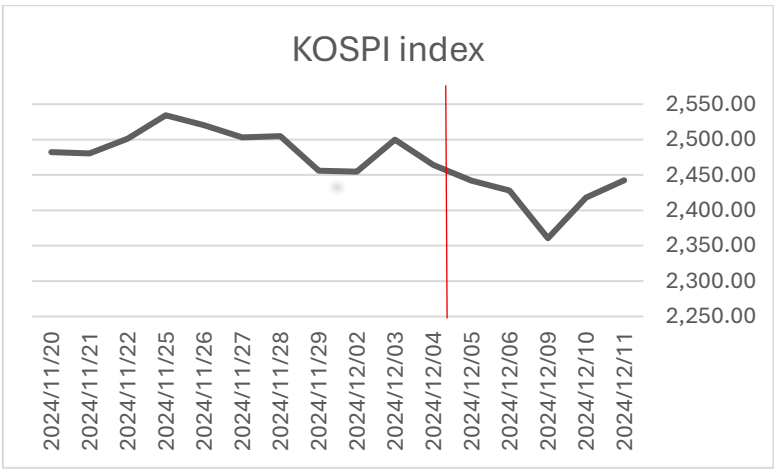
1.2. Case Overview: The Martial Law Crisis in Korea

Yoon Suk-yeol, the 13th president of the Republic of Korea, declared martial law at around 10:24 p.m. on December 3rd, 2024. He sent troops to the National Assembly to prevent the declaration from being cancelled by policymakers that were gathering at the scene in order to issue a vote. However, the attempt only lasted until 1:02 a.m. on December 4th, when lawmakers passed a motion invalidating martial law. Yoon finally lifted it officially at 4:30 a.m. and the whole episode was over in about 6 hours. Despite quickly backtracking, the opposition party and many civil society representatives started calling for the resignation or impeachment of the president. The fact that Yoon did not address the public himself until December 7th, when he apologised for his actions, contributed to

an ambient of uncertainty. Even leading members of his own party, the People Power Party (PPP) expressed being against the declaration immediately after it was publicly announced (*The Korea Times*, 2025a).

Markets reacted to the news when the crisis had already passed. Nonetheless, In the following days, the KOSPI index, the main indicator for the Korean stock market, indicated that there was concern from investors by accumulating losses for 5 days in a row until December 9th.

Figure 1. KOSPI Index Evolution (November-December 2024)



Note: The red line marks the martial law declaration. Source: Own work, data from KRX Market Data System

2. POLITICAL & ECONOMIC CONTEXT

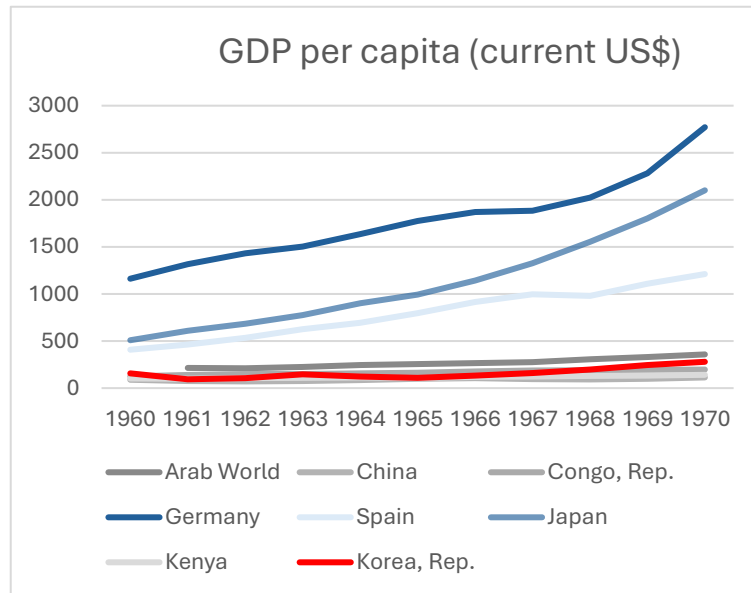
2.1. The post-war Korea

After the Korean War and during the next decades, South Korea was one of the poorest countries in the world. Its post-war GDP per capita was comparable to that of countries like Kenya and the Democratic Republic of Congo; and much lower than its neighbour Japan. However, its society already presented some of the social organization features that would define the economic miracle of the 1980's later and that continue today.

After the war, some of the former landlord class managed to dominate socially by becoming “privileged politicians, government bureaucrats, educators and industrialists ... the art of statehood may have been rooted in a class culture transmitted without interruption across generations” (Amsden, 1992, p. 37). This class culture may have contributed to a rigged economy: “During the period when venality was pervasive (the First Republic, 1948–1960), political connections led to an uneven distribution of the

spoils” (Amsden, 1992, p. 39). Already in this early stage of development, connections seemed to affect firm economic performance.

Figure 2. GDP per capita (current US Dollars)



Source: Own work, from World Bank data

2.2. The Chaebol

The word *Chaebol* refers to the major family-run conglomerates that, with the government’s help, became the drivers of Korea’s industrialization and of the “Miracle on the Han River”, the rapid economic growth that brought the country from poverty to being one of the most developed countries in the world. From the 1960s through the 1980s, a development system was supported where these privileged firms could access government backed benefits, such as “financial assistance, low interest rates, tax benefits, foreign exchange allocations, import and export licenses and foreign investment incentives” (Phil-Sang Lee, 2000, p. 2). This allowed for what Lee describes as “entrenched system of government-business collusion ... political power and the Chaebol have existed in symbiosis, linking preferential treatment and political funds” (Phil-Sang Lee, 2000, p. 3). In 2023, the revenue of the four largest Chaebols represented about 40% of Korea’s GDP (*The Korea Times*, 2024). It can be inferred that this relationship between private enterprise and political power is prevalent both in the past and in the present and has been one of the factors that shaped modern politics in Korea.

2.3. The current political scene & Yoon’s background

Since the end of the dictatorship in 1987, there has been 2 main blocs alternating in power. The dual-party system today is the heir of this divide, represented by the progressive Democratic Party of Korea and by the conservative People Power Party. There have been substantial cases of corruption within both parties. Out of the four last presidents before

Yoon, three of them faced severe consequences for these acts. Rooh Moo-hyun (acting president, 2003-2008) took his life while being investigated for bribery accusations regarding his family. Lee Myung-bak (acting president, 2008-2013) was given a prison sentence for bribery, embezzlement, and accepting funds from *chaebols*, totalling a 15-year sentence in 2018. Park Geun-hye, the first female president (acting president 2013-2017), earned a 22-year sentence for bribery in collusion with *chaebols* too, among other charges (*Associated Press*, 2025).

Before getting into politics, Yoon Suk-yeol was one of the most recognized prosecutors in Korea. He helped convict high-profile politicians on corruption allegations and even investigated former president Lee Myung-bak and his family. The case that earned him national acclaim was when he led the investigation into Park Geun-hye illegal activities which ultimately led to her impeachment and imprisonment. As a symbol of anti-corruption efforts, he was appointed by the following president (Moon Jae-in) as prosecutor general of the Supreme Prosecutor's Office. Their relationship would turn sour, as Yoon investigated close allies of Moon for corruption too. In the end, he entered politics as an outsider candidate to win the elections in 2022 with the opposition party PPP (Volle, 2025).

3. LITERATURE REVIEW

3.1. Foundations

The foundational paper that laid the ground for modern event studies using abnormal returns (AR) is Fama, Fisher, Jensen and Roll (1969). It attempted to check whether daily returns reflect and incorporate accurately new information. To do this it developed a methodology using AR aggregated into CAR to account for information leakage or delayed response to the event. Their approach has been widely adopted by later studies, including for political events.

Brown and Warner (1985) provided methodological rigor by outlining a series of best practices, as well as demonstrating the effectiveness of even simple models, like the Market Model, in correctly calculating and depicting AR of a stock. In this way, it validated the event study approach and popularized it. Furthermore, it stressed the importance of correctly specifying the event period, an issue that I have encountered in my own work. Finally, it provided guidance on how to improve the robustness of event studies. It focused on various problematics: cross-sectional dependence should be accounted for; robust standard errors should be used to combat heteroskedasticity; and autocorrelation problems can arise when extending the event window.

The first landmark study relating political developments to stock returns in the context of an event study is Schwert (1981). It studied how the ban on tobacco advertising in 1971 affected abnormal stock returns, as a proxy to analyse the effects on the economy of this

specific political event. However, Schwert recognized margin for improvement. It outlined challenges such as leakage of information before the event or the issue of lagged responses to regulation, which complicated the correct timing for analysis.

3.2. Main literature

Roberts (1990a) investigates the 1980 US election where Ronald Reagan was elected as president using the event study method. It uses the rationale that defence companies' value should fluctuate according to probability of higher or lower defence spending by the government: as Republicans improved in the polls, defence spending would become more probable. A comparison is made to the senate vote too, to discern separate event (Republican president or Republican-controlled Senate) effects. Using AR from a modified market model specification, it finds statistically significant positive effects of probability of a Republican president and senate on AR of defence companies.

Similarly, Roberts (1990b) uses AR evaluation to study the effects of the death of a US senator on the distribution of federal benefits; that is, a sudden severing of the government ties for some firms. It found a negative effect on AR of firms connected to the dead senator, and positive effect to those connected to his successor; it is one of the first papers in this line of research that accurately employs connections to a single person using an unexpected event.

In this area, Fisman (2001) is among the most referenced. In this case, the event study methodology is applied to analyse the reaction of politically connected firms to rumours about the health of president Suharto in Indonesia. It found negative AR for connected firms when bad news about his health surfaced, and introduced a measure of the intensity of connections, proving an increasingly negative reaction in accordance with the severity of the health concerns.

A study that introduces an interesting caveat to connections is Mitton (2002). It investigates how corporate governance and political connections interacted during the 1997 Asian financial crisis. It provided evidence that firm-level characteristics were meaningful in the value of the political connections they hold; therefore, there can be an inherent heterogeneity in how firms respond to shock events despite having a similar level or type of connections.

Faccio (2006) used cross-country evidence to study political connections and found that, while politically connected firms were more likely to be bailed, they had more issues with aspects like profitability and governance. This highlights the importance in assessing how a political connection is viewed by the investor and that it may signal more than government access. An earlier paper that dives into the question of connections signalling lack of efficiency for a firm is Morck et al. (2000). It found that the more connected Canadian firms presented negative AR when the US-Canada trade agreement was introduced, improving access to foreign capital for all firms.

Goldman, Rocholl and So (2009) specifically used connections of individuals from the board of directors to analyse S&P 500 firms value.

3.3. Korean context

Focusing on Korea, Chung et al. (2019) provided insights about how political connections and firm value interact in the Korean context. They studied how politically connected firms from two rival provinces performed, especially during alternating periods where presidents from either region were continuously elected to the nation's government. The results suggested that political connections in Korea affect firm value even after regime changes; that unexpected political shocks have a deep effect on the interaction of connections and firm value; and that being connected to the opposition results in negative performance. However, they only define whether a company is connected or non-connected using a single dummy variable, and the criteria are extensive in nature to be able to fit this specific study context.

Park (2022) pinpointed more thoroughly an appropriate definition of political connectedness in the Korean context. It investigated the relationship between CSR and political connections by using an exogenous shock: the 2008 election, where a regime change took place, therefore severing political ties on one side and boosting them on the other. This is the most similar approach to my research, as it analysed connections to a Korean president and the effects it caused when he lost power through an exogenous shock. It specified clearly the channels for political connection: in the case of the incoming president, the two most important ones were alumni from the business college he attended, and people from an important firm he was part of earlier in his career.

4. METHODOLOGY

4.1. Sample description

This study uses data from companies listed in the KOSPI index, the main index in the Korean stock market, from May 2024 to December 2024, to be able to analyse the event as well as to have a reasonable estimation period for computing AR. In the sample, I excluded the main stock and direct affiliates of the 5 largest *chaebol* as of December 2024, mainly due to their foreseeable disproportionate effect on the results. The *chaebol* have distinct features that would complicate the analysis, e.g. the fact that all of them are politically connected, not to any party or candidate in specific but to the system in general. Claims of corruption involving these business groups have involved both sides of the political spectrum, as outlined in Section 2.3. Even if a connection to president Yoon Suk-yeol was recorded, these conglomerates would probably have alternative connections to the opposition which could offset their political risk. For discerning the group affiliation to the *chaebol* of KOSPI firms, the Fair Trade Commission (FTC) of the Korean government was consulted, in the section called "Designation of Business Groups".

Firms that did not have available data for 4 or more members of the board of directors, and the ones who were listed in the relevant period but did not have data or did not trade

on 30 or more trading days were also excluded. This resulted in a sample of 747 firms with available stock and connections data.

4.2. Data & Variables

4.2.1. Political connections definition

In the literature assessing political connectedness there is disparity between the methods used to define it, usually attending to differences in the focus of research and to suit the specific properties of the political system that is studied. Roberts (1990a), which studied the influence of 1980 elections on public policy, employed sectoral policy arguments: Reagan and the Republican Party favoured defence spending in their policy, so defence stocks were hypothesized to increase returns following their victory. This approach is an indirect way of inferring political connection. Adapting to the Indonesian environment, Fisman (2001) takes advantage of the *Suharto's Dependency Index* compiled by a consulting firm and explains that the index is computed by numbering from 1 to 5, least connected to most connected, the firms in the sample. The index assessed this by looking at who or whom were the individuals through which the firm is connected; 5 would be for the closest allies to the president, and 1 for the least influencing ones. Therefore, in addition to a connected versus not connected distinction, an intensity measure was introduced, in a qualitative sense. Analysing the Malaysian market, Johnson and Mitton (2003) benefit from prior research by Gomez and Jomo (1997) which identified connections to high-ranking officials and political figures for a set of firms. They use this information to construct a binary variable of connected or non-connected firms. However, they additionally constructed two more binary variables for being connected to one of two major political figures of interest. They identified that being connected to one or another figure could result in different reactions of stock prices to shocks, also offering a binary but qualitative view of connections.

A more general approach that fit different political systems was defined by Faccio (2006), as the study had to analyse corporate political connections across the globe. It defined a firm being connected if “at least one of its large shareholders (anyone controlling at least 10 percent of voting shares) or one of its top officers (CEO, president, vice-president, chairman, or secretary) is a member of parliament, a minister, or is closely related to a top politician or party” (Faccio, 2006, p. 1).

Specific to Korea, another study defines that political connection exists when “a CEO, chairperson, director, large shareholder, or top officer is/was a member of parliament, a minister, or top government official or senior civil servant ... the CEO or chairperson publicly supports a presidential candidate, or he or his employees participate in the presidential campaign ... the CEO or chairperson is reported by at least one of the major newspapers as supporting a certain political party ... other social relations in terms of the Korean social network *yonjul*, kin ties, and school relations exist” (Chung et al., 2019, p.

14). This definition is very close to Faccio (2006) but adds depth in accounting for Korean-specific factors.

The paper that adapts the definition to a situation very close to my event study is Park (2022). It specifies firms connected to the incoming president from the 2008 election in Korea (Lee Myung-bak). It identifies two connection sources: a company is connected if the CEO was a Hyundai Engineering and Construction ex-member or an alumni of Korea University Business School. It justifies using these measures because he was known to appoint personal connections from these sources, and notes that a revealing 6 out of 8 CEOs in the first round of state firms' appointments were from those backgrounds. The study also includes an interesting concept: it uses a "sticky measure" of political connection by looking at the year before the election, as it suggests some companies might have appointed CEOs from the president's network to gain political access.

I combined different approaches to fit the specificities of my research. In line with both Chung et al. (2019) and Park (2022), I used the NICE BizLine database (formerly KIS-Line) to collect data on the education and career history of KOSPI firms CEOs and board members. I counted the number of connected board members and CEOs for each firm that fit one of the following five channels: being an alumni of Seoul National University (SNU), being an alumni of the College of Law of Seoul National University (SNU Law), having studied at the Judicial Research and Training Institute (JRTI), being a former prosecutor (Prosecutor), and having worked at the Pacific Law Firm (Pacific Law). This is justified because Yoon Suk-yeol was a former SNU Law and JRTI student, as well as having worked as a prosecutor, Prosecutor General and for Pacific Law Firm (Volle, 2025). Following Park (2022) reasoning for president Lee Myung-bak, I find president Yoon to notoriously appoint high ranking positions from a small pool of his personal connections, the largest group being former prosecutors. For example, he appointed Han Dong-hoon (senior prosecutor) as Minister of Justice, and Cho Sang-joon (former deputy chief of Seoul High Prosecutor's Office) as head of the Planning and Coordination Office of the National Intelligence Service (NIS), among many others (*Korea JoongAng Daily*, 2022). Therefore, the inclusion of these connection channels follows documented evidence of President Yoon's appointment preferences.

4.2.2. Dependent variable

The dependent variable is cumulative abnormal returns (CAR). This measure is constructed by aggregating abnormal returns (AR) across the event window for each firm i and date t :

$$CAR_i(t_1, t_2) = \sum_{t=t_1}^{t_2} AR_{it}$$

In turn, AR are computed by subtracting expected returns from actual returns, where R means daily returns and X is a set of conditioning information:

$$AR_{it} = R_{it} - E[R_{it}|X_t]$$

In this specific model, the set X will be the market return ($R_{m,t}$), as the market model from Fama et al. (1969) is used to compute expected return:

$$E(R_{i,t}) = \alpha_i + \beta_i R_{m,t} + \varepsilon_{it}$$

Where α is the expected return independent of market movements, β is the sensitivity of the stock to the whole market, and ε is the error term. I made this choice in order to simplify the model and make it more intuitive, while not compromising on performance, as Brown and Warner (1985) find that it performs similarly to more complex models despite its simplicity. This is a standard method for event studies.

However, since a noticeable number of relevant firms from the KOSPI index were excluded, the official data on market return was not used. Instead, a market return was calculated weighted by market capitalization from data only for the 747 firms on the sample. The Korea Stock Exchange (KRX) Market Data System was used to extract daily closing prices and daily market capitalization for sample firms. Then this data was utilized to compute daily weighted market returns:

$$R_{mt} = \sum_{i=1}^N w_{it} \cdot R_{it}, \quad \text{where } w_{it} = \frac{MC_{it}}{\sum_{j=1}^N MC_{jt}}$$

where R_{mt} is market return on day t , w_{it} is weight of firm i on day t , MC_{it} is the market capitalization of firm i on day t , and R_{it} are returns of firm i on day t , calculated as:

$$R_{it} = \frac{P_{it} - P_{it-1}}{P_{it-1}}$$

where P_{it} is closing price of firm i at day t .

4.2.3. Independent variables

From section 4.2.1, the five connection channels are specified: SNU, SNU Law, JRTI, Prosecutor and Pacific Law.

To mitigate multicollinearity and low significance of estimators, the most similar connections from a legal background were grouped, namely: SNU Law, JRTI and Pacific

Law. The name of the resulting merged variable is Other Legal Connections (OLC). SNU connection was dropped from the main specifications due to low significance and a lack of theoretical or intuitive justification compared to the others.

For each firm and category there is a number (count) of connected board members or CEO. However, after making the distinction board members/CEO, there was a low number of CEO connections observations, and the decision was made to merge those observations into a single category. Since it was difficult to pinpoint exactly how many board members a specific company had without the use of other software, I used the log-transformed version of the connection counts, in order to keep information of intensity of connections rather than backtracking to dummy binary variables, as it was foreseeable that the intensity of connections was of capital importance in this case, as well as to reflect possible diminishing marginal effects.

A distinction was made for when a connection was detected before or after November 2021, which is the date Yoon Suk-yeol secured his candidacy for the People Power Party. This provides the opportunity of using a sticky measure of political connection.

Table 1. Variable description

Variable	Type	Description	Source
CAR (Cumulative Abnormal Returns)	Dependent variable	CAR is the sum of the Abnormal Returns for each firm during the specified event windows	Own calculations from KRX Market Data System daily stock data
log (1+ Prosecutor)	Independent variable	Log-transformed variable stemming from Prosecutor original variable, which counts number of connected board members and/or CEOs to each firm through being a former prosecutor	Own count. Hand-picked data from NICE BizLine platform (former KIS-LINE)
log (1+ OLC)	Independent variable	Log-transformed variable stemming from Other Legal Connections (OLC) variable, which in turn comes from aggregating the count of the three original variables SNU Law, JRTI and Pacific Law	Own count. Hand-picked data from NICE BizLine platform (former KIS-LINE)
log (MarketCap)	Control variable	Size control variable. Stems from MarketCap variable, which is the market capitalization of each firm the day before the event	KRX Market Data System
δ Industry	Control variable	Industry fixed effects control variable for 13 industries.	Own elaboration of industry groupings, from an original more granular classification from KRX Market data System

4.2.4. Control Variables

To account for industry fixed effects, information on industry categories for each firm is collected from KRX Market Data System. Since the official distinctions were too granular, I merged industry categories using standard categorization used in other financial information platforms. The total number of resulting industry categories is 13, from an original number of more than a hundred. These categories are used as industry dummies, taking value 1 if a firm belongs to the industry and 0 otherwise. To control for size, and since daily market capitalization data is already available from the AR calculations, I take

the market capitalization on the day before the event as a proxy for firm size. I also use the log-transformed variable in this case.

4.3. Empirical strategy

In line with Goldman et al. (2009), CAR was used as the metric for measuring change in firm value during the event. This measure depends on the specification of the event window, and it is essential to choose an appropriate margin both before and after the event. In this case, the political development that led to the declaration of martial law was seen as a shock, a sudden measure which was known beforehand only by a small number of people close to the president. There were calls from opposition figures and analysts claiming martial law was a possibility, but they were dismissed generally by public opinion as extremist takes (*BBC*, 2024).

Therefore, I assume minimum leakage of information before the event and set the start of the window at -1, that is, one day before the event. I set the end of the window at five days after the event, to allow the market to react, and because the political implications were not clear immediately: some investors may have considered Yoon to be able to recover from the scandal. On December 4th, one day after the event, an impeachment motion was submitted by the opposition party and it was voted on December 7th, 4 days after the event. The motion did not progress but at the time a poll showed 73.6% of Koreans supported impeachment and it was clear that the battle between the parties was not on whether Yoon Suk-yeol should leave office but how (*The Guardian*, 2024). The following day, the KOSPI index started to recover from losses.

The main specification employs this event window (-1,+5) to estimate the effect of political connection on CAR through a multivariate regression, following prior literature on event studies and political connection, such as Faccio (2006). A first version is:

$$CAR_i = \beta_0 + \beta_1 \log(1 + Prosecutor_i) + \beta_2 \log(1 + OLC_i) + \epsilon_i$$

Where CAR is the stock returns variable, Prosecutor and OLC are the political connection variables and ϵ is the error term. Political connection variables are log-transformed to address methodological concerns already mentioned in section 4.2.3. One is to compress the skewness of observations, which would violate the homoskedasticity assumption of the linear regression and standard errors may become biased. The second concern is to reflect diminishing returns on the number of connections. However, this first specification can be improved by adding standard control measures such as firm size and industry grouping. Controlling by the log of firm size, measured as the market capitalization the day before the event, and by the industry dummies already defined in section 4.2.4, it results in the following regression:

$$CAR_i = \beta_0 + \beta_1 \log(1 + Prosecutor_i) + \beta_2 \log(1 + OLC_i) + \beta_3 \log(MarketCap) + \sum_k \delta_k Industry_{k,i} + \epsilon_i$$

where δ is each industry fixed effects, MarketCap is the market capitalization on the day before the event, and ϵ is the error term. This specification alleviates omitted variable bias because in this case industry affiliation is correlated with both the treatment, which is political connections, and the outcome, which is CAR. Size control also considers that larger firms may be able to attract higher-profile individuals to their boards and have a higher connection count.

It is important to note that data is available both before and after November 2021, which gives the possibility of using the sticky definition of political connections, regardless of the specification of the regression, by filtering the data beforehand.

4.4. Data Quality & Limitations

Data on the background of top executives and CEOs was collected by examining individually their personal information fiche provided by NICE BizLine, which meant going over thousands of them, and human error cannot be ruled out in hand-picking this data. Furthermore, the information was in Korean and had to be translated each time by a standard web translator. Moreover, there were some minor gaps in the data: sometimes the university and college history were absent, although this happened in few cases.

5. EMPIRICAL RESULTS

5.1. Descriptive statistics

In Table 2 the descriptive statistics for connection variables are presented. From a total of 849 KOSPI traded firms, I obtain a sample of 747 firms after excluding *chaebols*, *chaebol*-affiliated firms, and firms with limited or no data. Out of the total number of firms, 519 present some type of connection. The largest contributor by far is SNU connections, as 46% of total sample firms (345) are found to have at least one Seoul National University alumni. The disproportionate prevalence of this connection channel cast doubts on whether it was significant, and upon further testing it was dropped from the analysis. Intuitively, it should be expected to find SNU alumni in the business elite as the university belongs to a select group of top-tier universities, in a system where academic background is one of the most important factors for career success. A study ranks SNU as the perceived best university in Korea and considers that “there exists a wage premium as to being a graduate of Seoul National University in Korea regardless of one’s labour productivity” (Han et al., 2012, p. 393).

Links to judicial and prosecutorial backgrounds are much rarer. Only 36 firms are connected through Prosecutor ties, while all the other legal connection types combined

are present in 95 companies. The maximum number of connections per firm is 3 for SNU law and 2 for the other ones in this group.

It is interesting to see what the data would have looked like if the sticky measure approach was not taken. The number of connected firms would have increased noticeably in all connection types. Focusing on legal background, the number of firms with prosecutorial ties would have been around 190% higher. In the Other Legal Connections case, it would have doubled to 202 firms. This relates to issues already mentioned in Section 4.2.1, as firms have incentives to appoint already connected individuals to gain political influence for the firm and further justifies the use of the sticky measure of connection.

Table 2. Descriptive statistics of connection variables

Variable	Sticky measure of connection (N (firms):747)				
	Mean	SD	Min	Max	Firms with ≥ 1
SNU	0.8	1.1	0	6	345
SNU Law	0.12	0.37	0	3	82
JRTI	0.02	0.15	0	2	14
Prosecutor	0.05	0.25	0	2	36
Pacific Law	0.02	0.16	0	2	17
Other Legal Connections	0.17	0.49	0	4	95
Including after December 2021					
SNU	1.511	1.605	0	8	490
SNU Law	0.28246	0.56885	0	4	176
JRTI	0.0414	0.20618	0	2	30
Prosecutor	0.1499	0.3826104	0	2	105
Pacific Law	0.0495	0.2232088	0	2	36
Other Legal Connections	0.37349	0.7088063	0	4	202

Table 3 reports the descriptive statistics for CAR. For the sample of 747 firms, there is an average CAR of -1.0% and a standard deviation of 10.4% . The minimum CAR observed in the sample is -29% , while the maximum reaches 116% , which indicates that there is substantial variation in market reactions surrounding the event window.

Interesting patterns arise when disaggregating by connection type. Firms with prosecutorial connections exhibit the most negative mean CAR at -3.2% , which is also accompanied by a relatively low standard deviation of 5.5% . This result suggests that not only a stronger negative market reaction to firms connected to prosecutorial backgrounds exists, but also that these reactions are more consistent across firms.

Connections to other legal institutions such as JRTI and Pacific Law also show negative average CARs (-1.6% and -0.9%). However, these effects are based on smaller samples (14 and 17 firms, respectively). Firms connected through SNU Law display a slightly

negative average CAR (−0.7%) as well, but the standard deviation (7.6%) suggests more heterogeneity in investor responses.

Table 3. Descriptive statistics for CAR

Variable	Mean	SD	Min	Max	Obs
<i>CAR</i>					
SNU	-0.005	0.078	-0.20	0.76	345
SNU Law	-0.007	0.076	-0.20	0.34	82
JRTI	-0.016	0.040	-0.09	0.06	14
Prosecutor	-0.032	0.055	-0.20	0.08	36
Pacific Law	-0.009	0.055	-0.07	0.18	17
Sample	-0.010	0.104	-0.29	1.16	747
Other Legal Connections	-0.010	0.073	-0.20	0.34	111

Table 4. Industry classification

Number	Industry	N
1	Arts, Entertainment and Recreation (Reference)	12
2	Chemical, Pharmaceutical & Electronic Manufacturing	158
3	Finance and Insurance	94
4	Food, Textile & Consumer Goods Manufacturing	110
5	Heavy & Industrial Manufacturing	177
6	Hospitality and Tourism	5
7	IT and Telecommunications	22
8	Others	3
9	Professional Services	25
10	Real Estate and Construction	44
11	Transportation and Logistics	38
12	Utilities and Energy	9
13	Wholesale and Retail	61
	Total Sample	747

The number of firms allocated to each industry is reflected in Table 4. The industry where most KOSPI traded firms belong to is Heavy & Industrial Manufacturing. Firms like Aluko Group or POSCO Holdings are in this group.

Food, Textile & Consumer Goods Manufacturing and Chemical, Pharmaceutical & Electronic Manufacturing are the other two categories with over a hundred firms (110 and 158, respectively). This distribution reflects the industrial and manufacturing dominance in the Korean economy. The distinct category with the least representation is Hospitality and Tourism, with only 5 observations; Hana Tour Service firm is an example. The noticeable divergence in grouping observation motivated doubts about the validity of such own-made groupings. However, they were later tested, and the majority of industry categories are highly statistically significant for the main specification of the regression.

5.2. Main regression results

The regression results from the main specification are reported in Table 4. I find that the coefficient on *Log_Num_Prosecutor* is negative and statistically significant at the 1% level (p-value = 0.0012). This indicates that firms with more connections from prosecutorial backgrounds suffered systematically lower returns. A one-unit increase in the log of the number of prosecutorial connections is associated with a 3.7% decrease in average CAR during the event window. This corresponds roughly to a 2.57% drop in CAR when going from 0 to 1 prosecutorial connection. The grouped variable *Log_Other_Legal_Connections* presents a positive coefficient but is barely statistically significant at the 5% level. Each additional SNU Law, JRTI or Pacific Law log-connection unit is associated with a 1.5% increase in average CAR during the event window, indicating firms performed better in the stock market during the political turmoil if they possessed such connections. However, this effect is not robust across specifications and should be interpreted with caution.

Table 5. Main specification results

	Estimate	Std Error	t value	Pr(> t)	
(Intercept)	0.06324	0.0410	1.5428	0.1233	
<i>Log_Num_Prosecutor</i>	-0.03724	0.0115	-3.2459	0.0012	**
<i>Log_Other_Legal_Connections</i>	0.01537	0.0075	2.0456	0.0412	*
<i>factor(Industry2)</i>	0.00809	0.0005	17.0287	< 2.2e-16	***
<i>factor(Industry3)</i>	0.00627	0.0008	7.5045	1.793e-13	***
<i>factor(Industry4)</i>	0.04651	0.0004	118.409	< 2.2e-16	***
<i>factor(Industry5)</i>	-0.00108	0.0004	-2.5093	0.0123	*
<i>factor(Industry6)</i>	-0.01337	0.0010	-14.0668	< 2.2e-16	***
<i>factor(Industry7)</i>	-0.02721	0.0012	-22.5943	< 2.2e-16	***
<i>factor(Industry8)</i>	0.00529	0.0008	6.8511	1.555e-11	***
<i>factor(Industry9)</i>	0.00596	0.0006	9.6545	< 2.2e-16	***
<i>factor(Industry10)</i>	-0.00514	0.0009	-5.6032	2.98e-08	***
<i>factor(Industry11)</i>	0.03380	0.0008	44.6848	< 2.2e-16	***
<i>factor(Industry12)</i>	-0.05176	0.0009	-58.0737	< 2.2e-16	***
<i>factor(Industry13)</i>	-0.00813	0.0006	-12.7771	< 2.2e-16	***
<i>LogMarketCap</i>	-0.00310	0.0016	-1.9839	0.0476	*
<i>R-squared</i>			0.04017		
<i>Adj. R-squared</i>			0.02050		
<i>AIC</i>			-1263.34800		
<i>BIC</i>			-1184.85300		
<i>F-statistic</i>			2.04249		
<i>F-statistic p-value</i>			0.01096		

The industry dummy variables coefficients were all statistically significant at the 1% level, except for Industry 5 (Heavy & Industrial Manufacturing) which was significant at the 5% level. This result shows that industry controls were essential in describing and explaining the variation in CAR. Furthermore, there are effects of contrary sign and magnitude depending on industry, confirming the heterogeneous response to the event by sector.

Industry 12 (Utilities and Energy) had the largest negative coefficient, implying that if a firm belonged to this sector had an estimated CAR around 5.2% lower than the reference industry. In contrast, Industry 4 (Food, Textile & Consumer Goods Manufacturing) had the largest positive coefficient, signalling a 4.6% higher estimated CAR than the reference for firms in this sector.

The control variable for size, *LogMarketCap* is statistically significant at the 5% level but is on the verge of not being significant. This indicates that size was a minor factor compared to industry groupings in explaining the variation in CAR, or, alternatively, that the proxy used to measure it was not appropriate.

The model explains approximately 4% of the variation in CARs (Adjusted $R^2=0.0205$), which means it has a very low explanatory power. However, the model is nearly significant at the 1% level (p-value = 0.01096), which suggests there is at least some relevance of the estimated effects, and that the regression design could be appropriate.

5.3. Alternative specifications and robustness

To test whether the results obtained in the main regression can be reproduced and hold across other specifications, I introduced small variations in the empirical strategy, resulting in four alternative regressions. The results are presented in table 6.

Firstly, I test whether a shorter event window event would affect the results, specifying it at one day before and one day after the event (-1,+1). The negative coefficient for *Log_Num_Prosecutor* falls, but it is expected because the effect is for a shorter number of days. This coefficient is more significant than that of the main specification at the 1% level (p-value = 0.0001145). *Log_Other_Legal_Connections* estimate also falls but keeps significance. However, the whole model's significance drops, but it is still barely significant at the 5% level.

Testing whether using log-transformed variables biased the results, I modified the connection variables in the main regression to be level variables, a pure count of connections. The *Log_Num_Prosecutor* coefficient drops moderately but is still similar in magnitude to the main specification as it is a level effect instead of log, while *Log_Other_Legal_Connections* estimate becomes not statistically significant (p-value = 0.0736), casting doubt over the robustness of this effect. The model as a whole retains significance at the 5% level, close to the 1% level.

Challenging my decision to group OLC, I disaggregated these variables to observe their behaviour separately. In this specification, *Log_Num_Prosecutor* estimation and significance stay very similar to the main one.

However, SNU Law, JRTI and Pacific Law become not statistically significant when separated. The model significance drops but is still statistically significant at the 5% level. An interesting note is that in the disaggregated OLC specification, the control variable for Industry 5 (Heavy & Industrial Manufacturing) becomes not statistically significant.

Table 6. Alternative specifications summary

Model	Prosecutor est.	Sign.	OLC estimate	Sign.	Model p- value
<i>Main specification</i>	-0.03724	**	0.01537	*	0.0110
<i>Alt. Window (-1,+1)</i>	-0.02087	***	0.00821	*	0.0468
<i>Level variables</i>	-0.02362	**	0.00789	-	0.0121
<i>Disaggregated OLC*</i>	-0.03682	**	SNU		
			Law	0.01597	-
			JRTI	0.00704	-
			Pacific Law	0.00375	-
<i>No Industry controls</i>	-0.03744	**	0.0093	-	0.2588

**Note: In the disaggregated OLC specification, the control variable for Industry 5 becomes not statistically significant (p-value = 0.1338)*

The last modification that I wanted to test was if the model held without industry controls. I stripped all industry variables from the main regression. The model holds no statistical significance in this specification, with a very high p-value of 0.2588. Nonetheless, it is worth noting that the *Log_Num_Prosecutor* estimation remains almost constant and holds similar significance to the other variations.

These outcomes show that the effect of the Prosecutor connections is robust to the different specifications, varies moderately between them, and holds significance at least in the 1% level for all of them. In contrast, the behaviour of OLC connections both as a group and individually motivates reservations on claiming a positive effect on CAR, as the effect is very moderate and statistically insignificant in some variations.

Other potential econometric issues could have distorted the results. Since stock variances are often not constant across firms or time, the estimated standard errors can be distorted. For this reason, robust standard errors were employed. When industry controls were present, clustered standard errors by industry were used, following Brown & Warner (1985). This aims to correct cross-sectional dependence.

Multicollinearity of independent variables is another concern. Therefore, I conduct Variance Inflation Factor tests between variables. In Table 6 the results for the main regression and for the disaggregated OLC specification are presented.

For the main specification, all VIF values are well below 5, a common threshold, and even below 2, which indicates that no significant multicollinearity is detected. However, the slightly higher values of *Log_Num_Prosecutor* and *Log_Other_Legal_Connections* suggest mild correlation between them. Even for the disaggregated OLC case, where

multicollinearity could be further suspected between the legal variables, GVIF stays below the strict threshold of 2.

Table 7. VIF results

	GVIF	Df	$GVIF^{1/(2*Df)}$
Main specification			
Log_Num_Prosecutor	1.161461	1	1.077711
Log_Other_Legal_Connections	1.182462	1	1.08741
factor(Industry)	1.065921	12	1.002664
LogMarketCap	1.013724	1	1.006839
Disaggregated OLC			
Log_Num_SNU_Law	1.203702	1	1.097133
Log_Num_JRTI	1.138346	1	1.066933
Log_Num_Prosecutor	1.184267	1	1.08824
Log_Num_Pacific_Law	1.045706	1	1.022598
factor(Industry_2)	1.101372	12	1.004031
LogMarketCap	1.018153	1	1.009036

6. DISCUSSION

This study builds on existent literature and aims to treat the martial law declaration by Yoon Suk-yeol as analogous to a “political death”: a reputational and confidence downfall of such magnitude that the market, civil society and political sphere of the country consider that the continuity of a politician in a post is certain to end shortly. I argue that this is what happened in this case. Therefore, I consider that this analysis follows earlier literature, specifically Fisman (2001) and Roberts (1990b), as they examine the stock market implications of a sudden severing of political ties to a specific person with political power. In the first case there are multiple events being studied when news about the declining health of Suharto president arise, while in the second case it is a single event, the unexpected death of a senator.

In this work the main finding is the consistent and statistically significant negative effect of prosecutorial connections to Yoon Suk-yeol on cumulative abnormal returns (CAR) during the martial law scandal. This result should be interpreted as the negative effect that the unexpected cut of political access through the personal connection with Yoon had on Korean firms. This outcome is in line with Fisman (2001), which found that in a politically dependent firm, each additional connection would represent a further decline in value during events that increased the probability of president Suharto being removed from office; in specific, a 5.8% excess decrease in value compared to non-connected firms for each additional connection.

It is also in line with the results from Roberts (1990b): the coefficients from the abnormal returns (AR) on the single day of the event (senator's death) are negative and statistically significant, ranging from -0.0249 to -0.00618. Since the measure of single day AR made would be similar to CAR if the event lasted only one day, it makes sense to compare the magnitude of the coefficients. In my main specification, the coefficient for Prosecutor is -0.03724 (see Table 5), which divided over 6 days of the event window (-1,+5), would be similar to the lower value coefficients of Roberts (1990b), keeping in mind that it is a log effect. Interestingly, if I consider the coefficient from the alternative event window (-1,+1), which is -0.02087 over 2 days, it would result in around 1% decline in daily AR, which is close to the average negative effect on single day AR that Roberts finds. He considers that even this seemingly low decline is important, as "reaction of such magnitude represents potential gains or losses of millions of dollars depending on the current value of outstanding shares" (Roberts, 1990b, pp. 48, 49).

In contrast, the positive but weak effects of Other Legal Connections are not in line with prior findings on personalistic political connection. There could be a theoretical justification, however, if it is assumed that prosecutorial ties are much more personalistic to Yoon Suk-yeol, while other legal connections are seen by the market as broader connection to the legal and political elite, which in this case, could mean that connected companies could have had better access to resources to combat political instability.

If this is the case, the definition of political connection to Yoon Suk-yeol should be revisited and a more thorough examination of the "palpable" evidence that supports it. It is well documented that the president appointed former prosecutors to relevant posts, while the argument for the other connections is based on theoretical influence and previous studies that took similar variables into account.

Nonetheless, the use of the strict definition of connection using top executives background has allowed for a consistent count of those ties. A greater familiarity with the political scene and the economy in Korea would have been needed to include other, more qualitative considerations such as connections through previous corruption scandals, in order not to leave out of the analysis existent information. The use of these qualitative ties would probably add more depth to the current study. One example that could motivate further testing is the case of a company called Sambu Construction. Early in 2025, claims of president Yoon and his wife being involved in stock price manipulation in collusion with this company surfaced in the national press. The manipulation allegedly took place while Yoon was still in office in July 2024 in relation to reconstruction efforts in Ukraine (*Korea Times*, 2025b). Interestingly, Sambu Construction had the third worst CAR performance out of the 747 firms sample over the main specification event window (-0.278), but there were no formal connections to the president via board or CEO background, and this company does not figure as politically connected in my index.

The model also has its limitations in the statistical sense. The R^2 and Adj. R^2 found in all specifications mean the explanatory power of the whole model is very low, which could threaten the interpretation entirely. It is common for financial event studies to focus on

the significance of the studied effects coefficients, rather on a model that explains the whole variance of returns. However, I consider that this could be greatly improved by spending more effort in correctly specifying other factors that are much more relevant to return variation than industry affiliation or size, that I could not conduct further due to time constraints. This could include leverage or earnings measures, among other firm-specific predictors.

Future lines of research could focus on determining connectedness with greater accuracy and by diverse means, which should include investigative work case by case to determine if a company has ties with a politician and of which grade. Another interesting approach would consist in examining the other side of the event: that is, what happened to CAR of firms connected to the main opposition leader, Lee Jae-myung. In the days immediately after the martial law declaration, he was described by the media as being the top candidate for replacing the soon-to-be-impeached president (*The Financial Times*, 2024).

7. CONCLUSIONS

This study was conducted to assess how political connections to president Yoon Suk-yeol influenced firm value during the failed declaration of martial law that prompted his final impeachment as president of the Republic of Korea. Its aim was to build on literature concerning sudden political shocks and how they affected stock returns, by examining a recent event of interest. I present evidence that personalistic relationships with the president of firm's board members had a significant negative effect on CAR when these relationships became suddenly a liability instead of an asset.

This result aligns with prior studies emphasizing the value of connections: ties to powerful individuals may be rewarded under stable conditions, but they can become a source of risk when those individuals face political collapse or death. By isolating prosecutorial ties as statistically significant while other forms of elite legal and educational backgrounds showed no such effect, (and even suggested a weak opposite direction effect) the analysis highlights the importance of distinguishing between the appropriate channels of political connection.

One personal reflection I make is that in order to be able to detect these ties, the market should accurately know that they exist. For example, the president could be connected by non-public known channels to some companies, and these firms could not show any abnormal reaction to his demise (at least in the short term) if investors were not aware of the connection. Inversely, some stocks could be deemed as connected to the president for a reason investors find justified, but in reality, just be a company that does not have better or worse access to resources depending on it; in this case investors would be fulfilling a particular case of what is known as “self-fulfilling prophecy”. If the market considers a company to be connected, its stock price will behave as if it is really connected, even if it is not.

The main findings of this study build on literature documenting the value of political connections (Fisman, 2001 , Goldman et al., 2009), and the negative effects that happen when ties become liabilities (Roberts, 1990a). However, the martial law declaration was a political event where a lot of factors need to be taken into account and context is key to interpret these results. I make assumptions that from a political perspective could well be challenged. For example, the assumption that connections to the president were beneficial to firms while he remained in power, can be countered with the argument that he governed in minority and few of his policy efforts could go through, hindering his capacity of benefitting specific firms.

Other limitations include some parts of the methodological approach, where the simplest possible models were employed for different reasons, such as time-restraints and interpretability of the results; nonetheless this fact does not invalidate the results obtained. Various robustness checks and alternative specifications attempt to counter some of the methodological downfalls.

One of the main strengths of this research is the elaboration of a political connection data index compiled by hand over an extended period of time. It allowed for the structure of the observations to be understood in a deeper way compared to using an already-made index. It also provided qualitative insights that helped in providing a correct interpretation and construct the analysis, as well as identifying missing data and outliers quickly.

Future research could improve the definition of political ties with media analysis or more complete network data. The study could also be mirrored and analyse the positive effects that firms connected to opposition leader Lee Jae-myung intuitively could have experienced during the event. The Korean context is an interesting environment for conducting further political connection research due to a variety of reasons: its continuing history of high-profile corruption despite being a developed country, the unique connivence between state policy and family conglomerates, and a well-defined elite class and dynamics.

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APPENDIX

Appendix 1. Alternative specifications full regression results

Table A1. Disaggregated OLC specification results

	Estimate	Std Error	t value	Pr(> t)	
(Intercept)	0.06405	0.0421	1.5226	0.1283	
<i>Log_Num_Prosecutor</i>	-0.03682	0.0116	-3.1698	0.0016	**
<i>Log_Num_SNU_Law</i>	0.01597	0.0102	1.559	0.1194	
<i>Log_Num_JRTI</i>	0.00704	0.0137	0.5142	0.6072	
<i>Log_Num_Pacific_Law</i>	0.00375	0.0242	0.1553	0.8766	
<i>factor(Industry2)</i>	0.00770	0.0011	7.2118	0.0000	***
<i>factor(Industry3)</i>	0.00600	0.0015	3.968	0.0001	***
<i>factor(Industry4)</i>	0.04609	0.0010	45.5106	< 2.2e-16	***
<i>factor(Industry5)</i>	-0.00141	0.0009	-1.5011	0.1338	
<i>factor(Industry6)</i>	-0.01382	0.0007	-20.6837	< 2.2e-16	***
<i>factor(industry7)</i>	-0.02765	0.0017	-16.7245	< 2.2e-16	***
<i>factor(Industry8)</i>	0.00484	0.0008	5.7962	0.0000	***
<i>factor(Industry9)</i>	0.00545	0.0014	3.8777	0.0001	***
<i>factor(Industry10)</i>	-0.00564	0.0014	-4.1167	0.0000	***
<i>factor(Industry11)</i>	0.03358	0.0015	21.7396	< 2.2e-16	***
<i>factor(Industry12)</i>	-0.05140	0.0023	-22.7723	< 2.2e-16	***
<i>factor(Industry13)</i>	-0.00814	0.0021	-3.9516	0.0001	***
<i>LogMarketCap</i>	-0.00311	0.0016	-1.9582	0.0506	
<i>R-squared</i>			0.04001		
<i>Adj. R-squared</i>			0.01766		
<i>AIC</i>			-1259.22300		
<i>BIC</i>			-1171.49300		
<i>F-statistic</i>			1.78980		
<i>F-statistic p-value</i>			0.02553		

Table A2. Level variables specification results

	Estimate	Std Error	t value	Pr(> t)	
(Intercept)	0.06358	0.0410	1.5516	0.1212	
<i>Log_Num_Prosecutor</i>	-0.02362	0.0073	-3.2468	0.0012	**
<i>Log_Other_Legal_Connections</i>	0.00789	0.0044	1.7916	0.0736	.
<i>factor(Industry2)</i>	0.00782	0.0004	18.4489	< 2.2e-16	***
<i>factor(Industry3)</i>	0.00611	0.0008	7.4784	0.0000	***
<i>factor(Industry4)</i>	0.04616	0.0003	144.8022	< 2.2e-16	***
<i>factor(Industry5)</i>	-0.00138	0.0004	-3.5348	0.0004	***
<i>factor(Industry6)</i>	-0.01383	0.0008	-16.9287	< 2.2e-16	***
<i>factor(Industry7)</i>	-0.02729	0.0013	-21.7756	< 2.2e-16	***
<i>factor(Industry8)</i>	0.00483	0.0007	7.065	0.0000	***
<i>factor(Industry9)</i>	0.00557	0.0006	8.8891	< 2.2e-16	***
<i>factor(Industry10)</i>	-0.00561	0.0008	-6.9817	0.0000	***
<i>factor(Industry11)</i>	0.03348	0.0008	44.183	< 2.2e-16	***
<i>factor(Industry12)</i>	-0.05131	0.0008	-61.1149	< 2.2e-16	***
<i>factor(Industry13)</i>	-0.00806	0.0007	-11.7482	< 2.2e-16	***
<i>LogMarketCap</i>	-0.00309	0.0016	-1.9848	0.0475	*
<i>R-squared</i>			0.03974		
<i>Adj. R-squared</i>			0.02006		
<i>AIC</i>			-1263.01200		
<i>BIC</i>			-1184.51600		
<i>F-statistic</i>			2.01959		
<i>F-statistic p-value</i>			0.01212		

Table A3. No Industry Controls specification results

	Estimate	Std Error	t value	Pr(> t)	
(Intercept)	0.08157	0.0733	1.113	0.2661	
<i>Log_Num_Prosecutor</i>	-0.03744	0.0139	-2.6949	0.0072	**
<i>Log_Other_Legal_Connections</i>	0.00930	0.0097	0.9579	0.3384	
<i>LogMarketCap</i>	-0.00346	0.0028	-1.2387	0.2158	
<i>R-squared</i>			0.00540		
<i>Adj. R-squared</i>			0.00138		
<i>AIC</i>			-1258.04900		
<i>BIC</i>			-1234.96900		
<i>F-statistic</i>			1.34422		
<i>F-statistic p-value</i>			0.25884		

Table A4. Alternative event window (-1,+1) results

	Estimate	Std Error	t value	Pr(> t)	
(Intercept)	0.03141	0.0224	1.4041	0.1607	
<i>Log_Num_Prosecutor</i>	-0.02087	0.0054	-3.8786	0.0001	***
<i>Log_Other_Legal_Connections</i>	0.00821	0.0034	2.4079	0.0163	*
<i>factor(Industry2)</i>	0.01060	0.0002	43.9816	< 2.2e-16	***
<i>factor(Industry3)</i>	0.01009	0.0003	30.8171	< 2.2e-16	***
<i>factor(Industry4)</i>	0.02713	0.0002	130.864	< 2.2e-16	***
<i>factor(Industry5)</i>	0.00886	0.0002	37.007	< 2.2e-16	***
<i>factor(Industry6)</i>	-0.01441	0.0004	-33.1579	< 2.2e-16	***
<i>factor(Industry7)</i>	-0.00574	0.0006	-9.7082	< 2.2e-16	***
<i>factor(Industry8)</i>	0.02093	0.0004	53.2248	< 2.2e-16	***
<i>factor(Industry9)</i>	0.00643	0.0004	17.7606	< 2.2e-16	***
<i>factor(Industry10)</i>	-0.00290	0.0004	-6.5575	0.0000	***
<i>factor(Industry11)</i>	0.02015	0.0004	49.0003	< 2.2e-16	***
<i>factor(Industry12)</i>	-0.02141	0.0005	-44.2037	< 2.2e-16	***
<i>factor(Industry13)</i>	0.00090	0.0002	3.7397	0.0002	***
<i>LogMarketCap</i>	-0.00170	0.0008	-2.0008	0.0458	*
<i>R-squared</i>			0.03347		
<i>Adj. R-squared</i>			0.01374		
<i>AIC</i>			-2172.48700		
<i>BIC</i>			-2093.92300		
<i>F-statistic</i>			1.69682		
<i>F-statistic p-value</i>			0.04679		