

Abstract

The thesis deals with electoral and partisan cycles in stock returns of nine CEE countries and checks consistency of observed cycles with efficient market hypothesis. The evidence mostly supports possibility of political influence on stock markets, but the effects often have opposite sign than hypothesized. Electoral cycle has been found in Estonia and Hungary, while returns in four other countries are significantly lower before elections. Markets more often exhibit left-wing premium, it is significant in the Czech Republic, Lithuania and Romania. The results are similar between nominal and real returns. Both cycles are also considered significant for the panel of countries. Moreover, cycles are hardly explainable by macroeconomic conditions, which indicates market inefficiency. This is confirmed by analysis of volatility, which reveals that risk does not correspond to changes in returns induced by the cycles.