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# Political uncertainty and behavior of Tunisian stock market cycles: Structural unobserved components time series models

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## ABSTRACT

This paper examines the impact of political uncertainty caused by the civil uprisings, (the Tunisian Revolution) on the behavior and characteristics of Tunisian stock market cycles over time varying. This paper aims to apply the methodology of univariate structural unobserved components time series models to extract cycle and trend components.

Our analysis showed that political uncertainty seems to generate unstable financial markets and more pronounced stock market cycles. The shock of the Tunisian revolution is very intense but temporary, and leads to a deviation of the trend from its original path. Indeed, during the period following civil uprisings, the amplitude and volatility of Tunisian stock market cycles have increased dramatically. But in the long term, the amplitude and volatility of stock cycles are amortized to achieve low. Overall, the findings are important in understanding the role of political uncertainty on stock market stability and are of great significance to investors and market regulators.



**Contents**



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