



Master Thesis Finance

## **The impact of President Trump on different sectors in the American economy in the long and short term of his presidency**

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### **Abstract**

This study examines the impact that President Trump has on stock prices in the election week and in the two year period after that. There is a distinction made in different sectors in which companies operate. First, President Trump has an impact on the stock prices in the election week as there are (statistically significant) abnormal returns in most of the sectors. Second, sectors which President Trump has promised to support do have positive abnormal returns in the election week. Despite this effect, from the data there cannot be concluded that sectors, in which Trump does not believe, have negative abnormal returns in the election week. Last, it cannot be concluded that Trump has or has not an impact in the long-term, due to statistically insignificant results.

## **I. Introduction**

### 1.1 Former research

Before reviewing the presidential specific literature, first review some general characteristics about the stock market. Brooks, Patel and Su (2003) did research about investor behavior in expected and unexpected events. They differentiate in how stock prices react at expected and unexpected events and when the market is closed and the market during day time. Additionally, Aktas and Oncu (2006) did research about how the stock market reacts to extreme events.

Presidents, and in particular President Trump, are popular topics in former studies. Santa-Clara and Valkanov (2003) state the differences between former Democratic and Republican presidents. They did research about the difference in excess return between former presidents and which party (Democratic or Republican) had more expected and unexpected excess return, based on the past. Hacker and Pierson (2012) did research about how presidents have impact on the political economy. They argue which sources and powers the president has to shape the economy and in which way the president is restricted.

The most related study to this thesis is from Wagner, Zeckhauser and Ziegler (2017). They performed an event study about the surprising victory of Donald Trump over Hillary Clinton. They argue what happened and what the consequences will be based on current statements in 2016. Trump differentiates himself from other presidents especially by his Twitter behavior. Goossens (2017), Ge, Kurov and Wolfe (2018) and Rayarel (2018) all studied the consequences of presidential tweets from President Trump. The tweets have more impact since Trump became president.

The performance of President Trump is almost daily news. Lewis, Bernhard and You (2018) reflected on the first year that Donald Trump is the President of the United States. They argue how Trump went from business executive to president and what impact this has. Corden and Garnaut (2018) also reflect on the performance of President Trump. They argue what the consequences probably be in the future of promises made and the actions performed by President Trump.

### 1.2 Research question

On the 8<sup>th</sup> of November, 2016, Donald Trump won the election to become president of the United States. The economy of the United States is the world's biggest economy and the

president of the United States, Donald Trump, is therefore the man with the most impact. The actions of president Trump are a hot topic in today's news. As the 45<sup>th</sup> president of the United States, Trump took the place of Barack Obama in the Whitehouse. The U.S. changed from a Democratic president (Obama) to a Republican president (Trump).

The change in political party of the U.S. president probably also changed expectations of investors. Stock prices reflect the expectations of investors in the stock market. These expectations are set, and will change, based on available information. Expectations about stocks from different companies are expected to change in different directions because a new president is elected. Since the U.S. not only changed from Obama to Trump, but also from a Democratic president to a Republican president, expectations in the stock market have a reason to change. Republican presidents valued other sectors more than Democratic presidents did. This should cause abnormal returns in sectors with different values for Republican and Democratic presidents.

Due to changing investors' expectations, the presidential election could have caused abnormal returns in the short-term after the election. Since the president has a major impact on the economy during his presidency, it could be possible that abnormal returns would exist during the whole presidency of the new president (long-term). It is relevant for investors to know if there would be abnormal returns in the short- and/or long-term, because stock prices are based on investors' expectations. The main research question therefore is:

What is the short- and long-term impact of President Trump his policy on different sectors in the American economy?

The sub-questions to develop the hypotheses are as follows:

Why would there be a short-term impact after the election of President Trump and how is this impact reflected?

Why would there be a long-term impact after the election of President Trump and how is this impact reflected?

Which sectors are affected positively and negatively by President Trump?

The research is innovative because there is no research about the long-term effect that President Trump has on different sectors. Research has been done about president Trump's twitter behaviour and the reactions of the stock prices of the targeted firms by Goossens (2017), Ge, Kurov and Wolfe (2018) and Rayarel (2018). The most related research is about

the economic consequences of the 2016 election of Donald Trump by Wagner, Zeckhauser and Ziegler (2017). A major difference is the dataset and the time period. Wagner et al. (2017) used the S&P500 companies to perform their event study and a two month time period.

### 1.3 Thesis structure

The next paragraph provides a short introduction of President Donald Trump. In chapter 2 the previous literature is reviewed that is relevant to the development of the hypotheses, which will answer the research question. The hypotheses, with argumentation, are provided in chapter 3. The methodology to test the hypotheses is described in the method section, chapter 4. This chapter contains the data, models and methods that are used. The results and outcomes are presented in chapter 5. Finally, chapter 6 contains the conclusion and the answers if the hypotheses are true or false.

### 1.4 Introduction of President Trump

On November 8<sup>th</sup>, 2016, Donald Trump surprisingly won the American presidential election and became the 45<sup>th</sup> president of the United States. Before Trump became president he was most known as a successful business man. Trump's business career started at his father's company in real estate. Eventually Donald Trump took over his father's company and became one of the richest American citizens. Now, he is the president of the United States that claims to have accomplished many good things for America.

In the 2.5 years that Trump is the president of the United States he claims to have accomplished many good things for America in several areas. First, Trump claims that, since his election, he created 4 million jobs of which 400,000 manufacturing jobs. This job increase resulted in the lowest unemployment since 49 years and a historically high employment of Americans. Trump claims that in the manufacturing branch 95 percent of the U.S. manufacturers are optimistic about the future (The White House, 2019).

Further, import and export would be better now for Americans. The total export would have been increased and the export of coal would have increased by 60 percent by cancelling the Clean Power Plan. The U.S. is protected by imposed import tariffs for the EU and China. America also has reached an all-time high oil production. The stock market would hit record high after record high under Trump's administration (The White House, 2019).

On top of that, Trump took actions against Obamacare and the healthcare would have been improved because the Trump administration provides more affordable healthcare options for

Americans. The U.S. would also be better protected against terrorism because of Trump's Travel Ban, which states that people from some mainly Muslim countries could not travel to the U.S. Trump claims also to have helped the U.S. win the bid for the Summer Olympics in Los Angeles in 2028 and helped win the bid for the World Cup in 2026 by the U.S., Mexico and Canada (The White House, 2019).

Trump also started to build The Wall, which is a wall between Mexico and the U.S. to protect the U.S. against illegal immigrants from Mexico. As Trump claims, Republicans want strong borders and no crime (The White House, 2019). The Wall should help protect the U.S. against immigrants and should help to reduce the crime.

The president has impact on the global economy. The Trump actions are coming at a cost, but, according to President Trump, not at the cost of the U.S. It is a fact that President Trump only cares about the American well-being. This is reflected for example in the trade war with China. Trump almost forces China to accept his terms. If China would not accept the president's terms then Trump extends the measurements to increase the pressure. As a consequence, the performance of the Chinese stock market suffers, the Chinese currency drops, it is more costly to import and other Asian countries face economic consequences as well. This illustrates the impact that the President of the United States has on today's economy. Other presidential measurements that affected the global economy are for example The Wall that affects the Mexican Peso, the travel ban that affects several Muslim countries and import tariffs that affect European countries. These measurements are probably causing movements in the stock markets and therefore affect the value of companies on a global scale.

A changing stock price affects both the risk and return of the company and therefore it affects investors. If the stock price movements show a pattern around the election, there could be opportunities for investors. Depending on the expected winner of the presidential election, investors could construct a portfolio that is expected to increase in value under that president. The downside for investors would be losses in case of an unexpected winner of the election. In addition, the time horizon of the stock price movements determines also the time horizon of the risk that investors face.

## II. Literature survey

As soon as new public information comes available, the prices within the stock market change. This could be all kind of information. For example, losing the bid for the FIFA world cup, a plane crash, a plant explosion or the death of a CEO. Brooks et al. (2003) state that prices of unexpected events react after 20 minutes and reverse over two hours after the event. In contrast, scheduled events would react within 1-15 minutes. There is also a difference between events that occur during the day and when the market is closed. Events that occur when the market is closed represent the price with the price reaction when the market opens. In contrast, events that occur during the day take over 14 minutes to reach the same price level.

Aktas and Oncu (2006) show that the stock market differentiates in impact between related and unrelated stocks to extreme events. The related stocks show a higher positive or negative return than unrelated stocks when an event occurs. An unexpected event has often a larger impact on stock prices than an expected event. In case of an event, stocks with a higher beta have a larger price change than stocks with lower betas. The unexpected victory of Donald Trump should have caused a larger impact on stock prices than in case Hillary Clinton would have won.

### 2.1 Short-term presidential impact

Before Donald Trump became president, he was a successful business executive. He promised to bring this experience with him to the White House and manage the U.S. government like his business. This seems reasonable, but Trump was a very successful business executive of his major company with over 22,000 employees and approximately ten billion USD revenues, but now he is managing the U.S. government with over 4.2 million employees and a 4 trillion USD budget (Lewis et al. 2018).

President Trump is doing things different, isn't he? In the past, Republic presidents have increased inequality (lower employment and lower growth) and Democratic presidents have reduced inequality. In contrast with this, Trump argues that he will create jobs for everyone. This is normally done by Democratic presidents (Hacker & Pierson, 2012). However, it is also that Republicans manage to create higher growth in election years. This would support the short-term growth, but it also would suggest that the growth would not last for the long-term.

The last Republican presidents all increased the budget deficit in the early years of their presidency (Hacker & Pierson, 2012). These increases were driven by large tax cuts, which Trump also has done. Corden and Garnaut (2018) support this view that Trump's actions will increase the budget deficit in the short-term, but that he cannot keep increasing the budget deficit in the long-term. Therefore, Trump doesn't seem to be that different from the former presidents in his actual achievements.

Trump's policy contains two economic initiatives that would support the American economy. First, Trump has cut personal and corporate taxes, and second, Trump wants to increase the protection of the American trade. The tax cut and increased protection are expected to lead to an increase in employment and income in the U.S. economy (Corden & Garnaut, 2018). At first sight, Trump's initiatives seem reasonable. When employees have to pay fewer taxes they have a higher income and there is an increased incentive to be employed. Increased protection against foreign nations would reduce the threat of Americans choosing import over domestic products.

In contrast, a tax cut comes at a cost. Trump increased the budget deficit to accomplish his announced tax cut. Due to the support of the American government during the crisis of 2008, the budget deficit already increased in the years before Trump became president. Now, Trump is increasing the budget deficit even more by funding the tax cut with it. Since the budget deficit cannot increase continuously, the tax cut cannot be funded forever by increasing the budget deficit. The increase in the budget deficit causes a depreciation of the real exchange rate, which results in higher prices (Corden & Garnaut, 2018). It seems that the effect of the tax cut is temporary on the employment and income growth, which supports the former view about a short-term growth that probably won't last in the long-term.

The protection of the American trade is reducing the import due to restrictions on import. Less import could result in more domestic purchases which could reduce the budget deficit and therefore compensate the budget deficit increase of the tax cut. The U.S. government also could decrease the budget deficit with the higher import tariffs, but it is not likely that this will compensate the increase in the budget deficit enough (Corden & Garnaut, 2018). By reducing the import Trump is also reducing the potential gains from import. A potential gain from import, for example, is the import of manufacturers from China. These manufacturers often have lower wages than American manufacturers which means more gains for American companies. It is likely that companies with high import are worse off than low import companies. In conclusion, the high budget deficit from the economic crisis, and the initiatives

that result in a more growing budget deficit would support the hypothesis of short-term effects in the American economy. Since the effects cannot hold for a long-term due to the increasing budget deficit, the effect is not likely to last for the long-term.

Another argument for a short-term impact is Trump's Twitter behavior. From former studies, (Goossens, 2017), (Ge, Kurov, & Wolfe, 2018) and (Rayarel, 2018), it can be concluded that President Trump has a short-term impact on the stock prices of companies that he targeted in his tweets. The studies show that the stock prices of the targeted companies temporarily changed positively when the president had a positive tweet and negatively when the president had a negative tweet about the company.

## 2.2 Long-term presidential impact

Since there could be a short-term effect on the stock market due to President Trump, there might also be a long-term effect. Is the president able to create this long-term effect? If there is a person in the world who could change the economy on the long-term than it must be the President of the United States. The long-term in this research is the two year period after the election of President Donald Trump. If there is an abnormal return during the years 2017 and 2018, then it is likely that it is caused by the new regime of President Trump, because he seems to be the only factor that could cause a two year long economic change. But, this is only true if the abnormal returns in the long-term are positive in sectors that had a positive abnormal return in the short-term and vice versa for negative abnormal returns.

The resources that the President of the United States has to change the economy for the length of his presidency are as follows. The president has to appoint all the key economic officials who determine which economic actions will be taken. The president has the power to appoint economic officials like the Treasury secretary, the head of the Securities and Exchange Commission and the chair of the Federal Reserve (Hacker & Pierson, 2012). With exception of the last one, these (key) economic officials should follow the president's economic policy since he appointed them. The chair of the Federal Reserve has a direct impact on the interest rates in the United States. With exception of the interest rate, President Trump seems to have his impact on the complete U.S. economy. Trump did appoint another Treasury secretary and head of the Security and Exchange Commission than that was in office when Obama was president.

The second tool of the president is his veto power. The president can veto laws that otherwise would be accepted by the Congress. With the veto, the president can pressure the Congress to



follow his (economic) policy by denying laws that would be accepted without the veto power of the president. Other tools of the president are the ability to set the political agenda and building party-based alliances. Presidents have the ability to move issues upward or downward the political agenda, making these issues discussed earlier or later in U.S. politics (Edwards in Hacker & Pierson 2012, 2003; Hill in Hacker & Pierson 2012, 1998). Moreover, the president, in the long-term, is able to build party-based alliances in the Congress and the electorate (Hacker & Pierson, 2012). These alliances are not made in just one day and would therefore only be visible in the long-term.

Neustadt (in Hacker & Pierson 2012, 1960) concluded that the presidential power rests on persuasion instead of authority. To persuade, in particular the Congress, the president has a favorable position. First, the president can easily reach a massive crowd to express his political opinion. This is illustrated by the fact that President Trump is almost daily news all over the world. Second, the president can organize the activities of his party so that his political policy has a central role (Hacker & Pierson 2012). Third, the president has much contact with other political leaders to share his opinion with and to persuade them. Stock prices change when new information comes available. If the president sets new expectations due to his persuasion power he is able to change stock prices. So, the president of the United States could be able to shape the economy for the length of his presidency by setting new expectations due to his persuasion power.

Despite the president is probably the only person who can cause a long-term economic change, there are some limitations in the presidential powers. The impact of the presidential appointment power is limited because the Congress has to approve these appointees. Hacker & Pierson (2012) argue that presidents probably won't be able to reshape the economy during their presidency because of this limitation.

Lewis et al. (2018) support the view of Hacker & Pierson (2012) when reflecting on the first year of Trump as a president. In the first year, Trump had appointed fewer employees for the White House than Obama. Compared with the former three presidents, Trump has nominated the least persons. Also the Congress (Senate) has confirmed the least appointees (Lewis et al. 2018). In contrast, President Trump appointed almost twice as many judges than Obama did in his first year (Lewis et al. 2018). On top of that, Trump defends himself by blaming the Congress (Senate) of delaying the confirmations. According to Lewis et al. (2018), the Senate is indeed delaying the confirmations. This, however, does not explain the fewer nominations of President Trump.

Also the veto power of the president has its limitations. Despite this pressure tool, the veto has only the power to say no and not the power to make the Congress act on the president's policy. In addition, by using his veto the president disagrees with the majority of the Congress, which reflects disunity between the president and the Congress (Hacker & Pierson 2012). In conclusion, the president has resources to shape the economy during his presidency, but these resources have limitations.

Based on former Republican and Democratic presidents it is not likely that the short-term effect will hold in the long-term. Republican presidents created higher growth and employment in the election years, but Democratic presidents created higher growth and employment over their whole presidency. Since America switched from a Democratic president (Obama) to a Republican president (Trump), based on the past, Obama should have performed better than Trump will do, in terms of growth and employment (Hacker & Pierson 2012).

There is not only a difference in growth and employment, but also a difference in the returns between Republican and Democratic presidents. Republican presidents have a 1.8 percent higher expected return than Democratic ones. In contrast, Democratic presidents have a 10.8 percent higher unexpected return than Republican ones (Santa-Clara & Valkanov, 2003). On top of the growth and employment it seems that Democratic presidents are performing surprisingly well over their presidential period compared to Republican presidents. This would suggest that the short-term effect of President Trump would be reduced over time.

So far, Trump seems to be the only factor that could have caused a long-term abnormal return over 2017 and 2018. However, the increasing budget deficit, the limitations of the presidential power and the historic performance of Republican presidents compared to Democratic presidents support the hypothesis that the short-term effect, if there is one, will be reduced over time. In the election year, the persuasion power of the president is probably enough to set favorable expectations. However, in the long-term these expectations seem not to hold.

### 2.3 Sector impact of presidential election

In his campaign Trump made promises to improve the U.S. and 'make America great again'. These promises affected different economic sectors, some in a positive way and some in a negative way. Since the stock market moves with expectations, it seems reasonable to believe that stock prices changed after America knew that their new President was Donald Trump. The expectations about the economy would be completely different when Hillary Clinton

would have won the election (Wagner, Zeckhauser, & Ziegler, 2017). If presidential tweets can move the stock market (temporarily) than the presidential election is likely to move the stock market as well.

One of the campaign promises of President Trump was that he would boost the steel and metal industry. The industry should be protected against foreign steel and metal producers. Trump promised to set new import tariffs on foreign steel and metal, with the consequence of protecting the U.S. industry (The New York Times, 2019). In addition to the protection, there would be created more jobs in the steel and metal industry under Trump's administration.

Other industries that President Trump promises to boost were the coal and oil industry (National Public Radio, 2019). Since Trump does not believe in durable energy he promised to promote fossil fuels. In addition to this, in 2018, Trump promised that America would be the largest oil producer of the world, which reflects the faith of Trump in this sector. Trump promotes the drilling of gas and oil offshore as on public lands (National Public Radio, 2019).

Trump promised to improve the U.S. infrastructure, by investing more in it. He argued about the need for good infrastructure in the U.S. In November 2016, he spoke about the millions of people that would be put back to work to rebuild the infrastructure. Trump's plan was to invest big on roads, rails and airports. Despite these promises, it seems that Trump is far from delivering this promise, because he has not planned to or taken any actions to invest in the infrastructure. (National Public Radio, 2018). If the transport sector would have moved up after the election period because of the high expectations than it is likely that the movement disappeared in the long-term as long as this promise keeps far from delivery.

The support of the defense and military sector was also a campaign promise of President Trump (BBC, 2018). He promised to increase the budget for military. In March 2018, Trump fulfilled this promise by adding a minimum of 61 billion dollar to the military budget, giving them that year a total budget of 700 billion dollar (National Public Radio, 2018). In perspective, the increase of the military budget equals the entire military budget of Russia. This indicates the need that President Trump sees in the defense and military sector.

The healthcare sector is probably moving downwards after the election of President Trump. Even when he promised to improve the healthcare system (CNN, 2019). During his election, President Trump championed for the repeal of Obamacare (BBC, 2018). This repeal caused negative expectations about the healthcare sector, definitely since President Trump could not argue which improvements he was going to make in the healthcare system that would replace

Obamacare. Therefore, this sector is expecting to move downwards in terms of abnormal return.

The promised import tariffs were also expected to harm the sectors that import frequently. One of these sectors could be technology related sectors. In contrast to the support of fossil energy, Trump does not believe in green and renewable energy. During his campaign, Trump called climate change a hoax, by which he stated his disbelief in green and renewable energy (BBC, 2018). The president kept this promise by withdrawing from the Paris Climate deal.

### **III. Hypothesis development**

Four hypotheses are tested to answer the main research question: What is the short- and long-term impact of President Trump his policy on different sectors in the American economy? The first hypothesis tests if there will be short-term movements in the stock prices after the presidential election in 2016. The hypothesis is formulated as follows: The election of President Trump has caused a short-term abnormal return from the stock prices in the election week [H1].

First, this hypothesis is supported by the fact that President Trump is a Republican president and, from the past, Republican presidents tend to have high growth in election years. Second, Trump has taken actions to boost sectors in the U.S. economy. These actions are likely to move stock prices in affected sectors. Third, if presidential tweets can cause a short-term movement in stock prices than a presidential election victory should be able to cause at least a short-term movement as well.

The second and third hypothesis test if President Trump has a positive and negative effect on certain sectors affected by his policy. The hypotheses are formulated as follows: Sectors that Trump has promised to support in his campaign program have positive abnormal returns in the election week [H2]. Sectors against which Trump promised, in his campaign program, to take negative actions have negative abnormal returns in the election week [H3]. Hypothesis two and three are supported by Wagner et al. (2017), who showed that there were abnormal returns in the Fama-French 30 industries in the days after the election results. Since stock prices move with expectations, it is likely that stock prices move after a not expected presidential election result.

The fourth hypothesis tests if the short-term movements in the different sectors from hypothesis one will continue in a longer period after the election date. The hypothesis is formulated as follows: The abnormal return in the affected sectors in the short-term will reduce over the two year period (2017 and 2018) after the presidential election (long-term) [H4].

The president of the United States is probably the only person who can cause an economic change over a two year period. However, it does not seem to be the case. The actions taken by Trump to cause a short-term movement are increasing the budget deficit. Since the budget deficit already increased to recover from the economic crisis in 2008, it is not likely that it can be increased over the long-term. Therefore, the short-term effect will not be able to hold in the long-term. In addition, this hypothesis is supported by historical returns. Democratic presidents historically have higher returns than Republican presidents. Further, the president's resources (appointment power and veto) to maintain the short-term impact in the long-term are limited.

#### **IV. Method section**

The short- and long-term impact of President Trump his policy on different sectors in the American economy is analysed by performing two event studies. The impact is measured by the average and cumulative abnormal returns. The abnormal return arose from stock price movements in U.S. companies divided over different sectors. In both event studies, the event is defined as "The election of Donald Trump as the President of the United States on November 8<sup>th</sup>, 2016".

The first event study was performed to analyse the short-term impact. The first hypothesis is tested by this event study, because it tests for the existence of short-term abnormal return in the election week. There are two possibilities for the estimation window. The estimation window should not be too far from the event window, but the event should not affect the estimation window. An estimation window two months before the election week, as Wagner et al. (2017) did, probably catches something of the presidential campaign of both presidential candidates. Since the presidential election outcome was a surprising win for Donald Trump, stock prices were probably not affected by the presidential campaign of both candidates. Therefore the estimation window is from September 2015 until September 2016. If the stock prices were affected, the estimation window could contain all 2015 returns. The event time is

zero for the calendar date November 8<sup>th</sup>, 2016. The event window for the first event study is the election week, which is November 7<sup>th</sup>, 2016 until November 11<sup>th</sup>, 2016.

The regular way to compute abnormal return is to subtract the normal return from the actual return. The actual return is calculated from daily price differences in stock prices. The mean adjusted return model is the benchmark for the normal returns. This benchmark model is suitable for the long-term event study. The disadvantage of the mean adjusted return model is the omission of market wide stock price movements from the benchmark return. Since the dataset contains thousands of companies this is not a problem. The market return model and CAPM have issues when using them in the long-term, for example the size effect, the book-to-market effect and the momentum effect. These problems could be corrected by using the Fama and French three factor model, but that would probably cause a major company loss in the data because of the lack of information.

The dataset exists of a list of U.S. listed firms and the stock prices of these firms. The list of U.S. firms is obtained from the Damodaran (2019) dataset. The list exists of over 7.000 companies. The stock prices are obtained by using Datastream. Excluded from the list are companies that are double in the list and companies of which the stock prices could not be obtained via Datastream, as firms that do not have stock prices over the complete research period. As common in the literature, firms with a stock price under \$1 are also excluded from the dataset (Wagner, Zeckhauser, & Ziegler, 2018). Last, outliers (daily returns of over forty or less than minus forty percent) were eliminated from the data. The elimination of the outliers has caused a data loss of about 0.16%. The dataset of Damodaran contains a specification of sectors in which the firms are operating. Due to this specification, hypotheses two and three can be tested for the short-term in this event study.

The second event study was performed to analyse the long-term impact. The fourth hypothesis is tested by this event study, because it tests for the existence of long-term (cumulative) abnormal returns in the two years after the election date. Since there are so many economic factors that can be changed by the president of the United States, the only way to test for the long-term impact seems to be testing if the short-term abnormal return pattern continues in the long-term. If exactly the same sectors show a positive (cumulative) abnormal return in the short- and long-term and a negative (cumulative) abnormal return in the short- and long-term it almost cannot be a coincident since the short-term abnormal returns must be caused by the presidential election. On top of that, taking weekly or monthly cumulative abnormal returns (CARs) avoids a major impact of other events, because after most events

stock prices reverse after a few hours (Brooks et al. 2003). The estimation window for the event study is one year and equals the estimation window of the short-term event study. This is consistent with the first event study. The event time is zero for calendar date November 8<sup>th</sup>, 2016. The event window for this event study is two years after the presidential election, which is from November, 2016, until year end 2018.

To keep the results of the second event study comparable, the benchmark model for the normal return in the second event study equals the one of the first event study. The dataset is also consistent with the first event study.

The significance of the abnormal returns will be tested by a t-test. The sample should be large enough ( $N > 30$ ) to assume that there is a normal distribution. The test statistic to test the significance of the abnormal returns is as follows:

$$TS_1 = \sqrt{N} \frac{AAR_t}{s_t} \quad \rightarrow \quad s_t = \sqrt{\frac{1}{N-1} \sum_{i=1}^N (AR_{i,t} - AAR_t)^2}$$

The significance of the cumulative abnormal returns is tested by using the following test statistic:

$$TS_2 = \sqrt{N} \frac{CAAR}{s} \quad \rightarrow \quad s = \sqrt{\frac{1}{N-1} \sum_{i=1}^N (CAR_{i,t} - CAAR_t)^2}$$

## V. Results

In this section, the results from both event studies are presented. First, the short-term event study is presented. After that, the sector effect including the long-term event study is presented. Appendix 1 provides a complete overview of the estimated mean daily abnormal returns of all sectors during the election week. Appendix 2 provides tables including the test statistics of the sectors within the long-term event study to test the significance of the weekly cumulative abnormal returns after the election of Donald Trump (event date).

### 5.1 Short-term

There are 62 sectors tested for daily abnormal returns in the election week. There are 31 sectors presented in figure 1 and 31 sectors presented in figure 2 (alphabetic order). On the day after the election (November 9<sup>th</sup>, 2016) the abnormal return in almost every sector is more positive or negative than on the election day. The highest average abnormal returns, one day after the election, are in the sectors: Aerospace Defense (+5.03%), Brokerage & Investment Banking (+4.7%), Construction Supplies (+6.01%), Drugs (+5.23%), Education (+8.43%), Engineering Construction (+6.84%) and Steel (+10.11%). These abnormal returns are all significant at an one percent level. The lowest abnormal returns, one day after the election, are in the sectors Green & Renewable Energy (-2.49%), Power (-1.35%) and Utility (-1.46%). The Green & Renewable Energy sector is not significant at a ten percent level. Power and Utility are both significant at least at a five percent level.



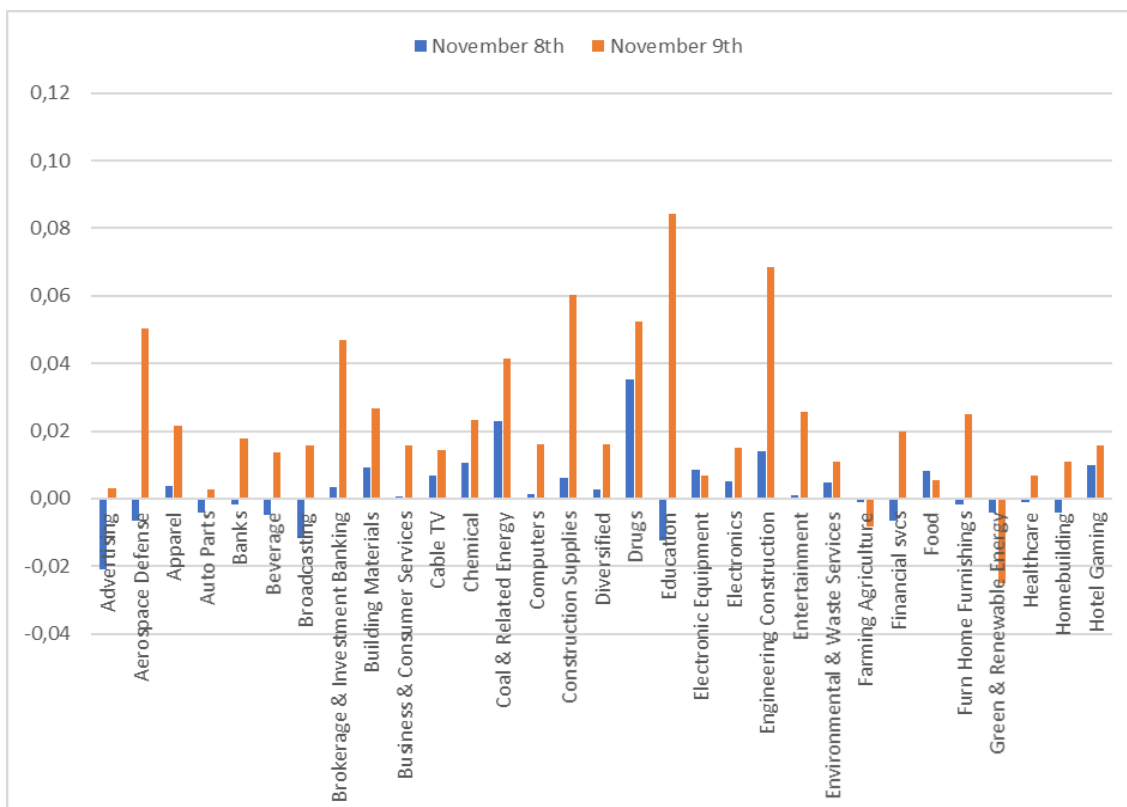


Fig. 1. Estimation of the daily abnormal returns in sectors on November 8<sup>th</sup> (t = 0) and November 9<sup>th</sup> (t = 1), 2016. The difference in the daily abnormal returns between the days, indicates the impact of President Trump on these sectors. The 31 sectors are in alphabetic order.

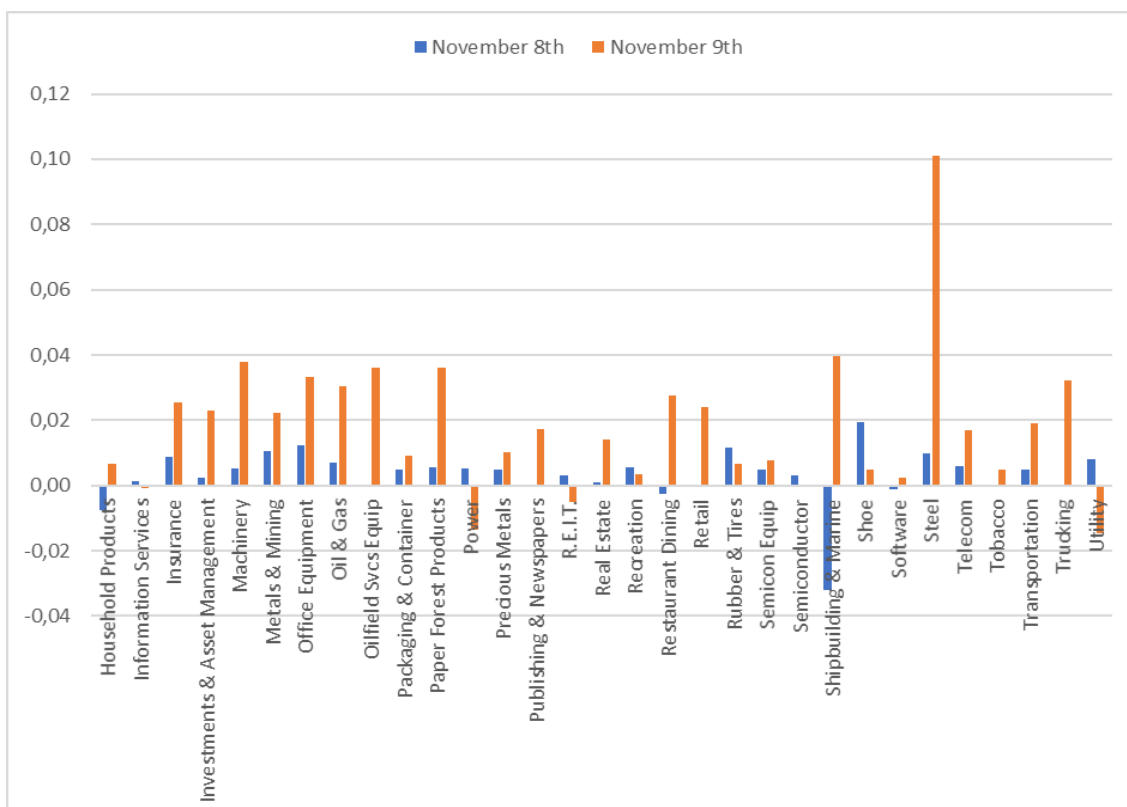


Fig. 2. Estimation of the daily abnormal returns in sectors on November 8<sup>th</sup> (t = 0) and November 9<sup>th</sup> (t = 1), 2016. The difference in the daily abnormal returns between the days, indicates the impact of President Trump on these sectors. This figure is an extension of figure 1. The 31 sectors are in alphabetic order.

The highest abnormal return, one day after the election, is in the steel sector. As figure 3 shows, the steel sector has a slightly positive abnormal return on the day before the election and on the day of the election. One day after the election, the steel sector reaches an abnormal return of over ten percent. In the election week this effect is not reduced, because on the second and third day after the election, the steel sector also has positive abnormal returns. A normal daily return of 0.04% in this sector indicates that the stock prices within the steel sector are rising every day during the election week.

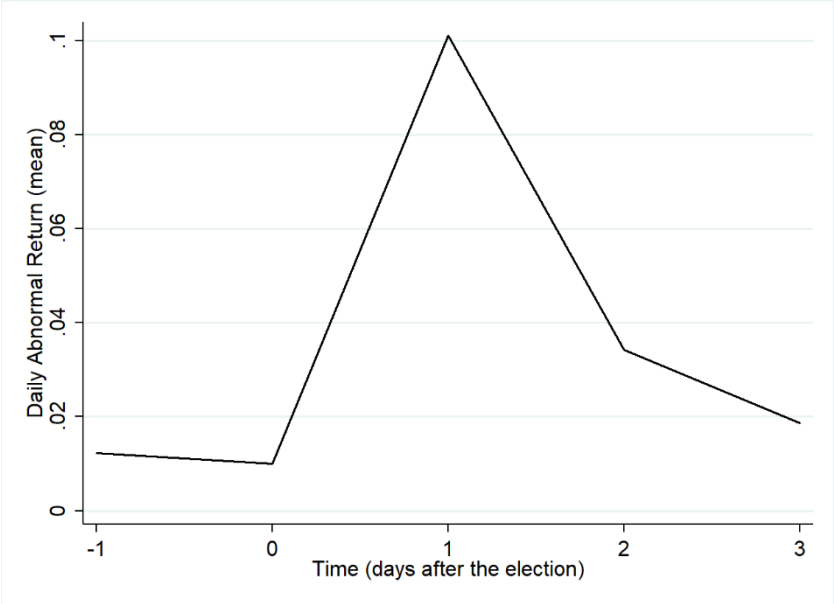


Fig. 3. The estimation of the daily abnormal return in the steel sector, which is the sector with the highest abnormal return one day after the election of President Trump and the highest cumulative abnormal return in the election week.

### 5.2 Sector effect and long-term

This section presents the sector effect during the election week. It also presents how the abnormal returns in these sectors develop over 2017 and 2018. The stock prices in 2017 opened in the 9<sup>th</sup> week of President Trump his presidency and the stock prices of 2018 in the 61<sup>st</sup> week. The sectors covered in this chapter are the steel sector, the power and energy sector, the sectors probably related to infrastructure, the defense sector, the healthcare sector, the technology sector that might be related to import and the other sectors that had high abnormal returns during the election week.

#### 5.2.1 The steel sector

The steel and metal sectors are diversified. As seen in figure 4, the steel sector reaches an abnormal return of 10.11% (t-statistic = 7.8) one day after the election. The results in the steel

sector are already discussed and presented in figure 3 in section 5.1. The metals and mining sector has a daily abnormal return between 0% and 2.5% (not statistically significant at a ten percent level) during the presidential election week. To reveal the contrast with the cheaper metals, as steel is, the precious metals sector reaches a daily abnormal return of -5.12% (t-statistic = -5.82) two days after the election. Table 1 presents the exact daily abnormal returns including the t-statistics in the steel and metal sectors. These daily abnormal returns match the ones in figure 4.

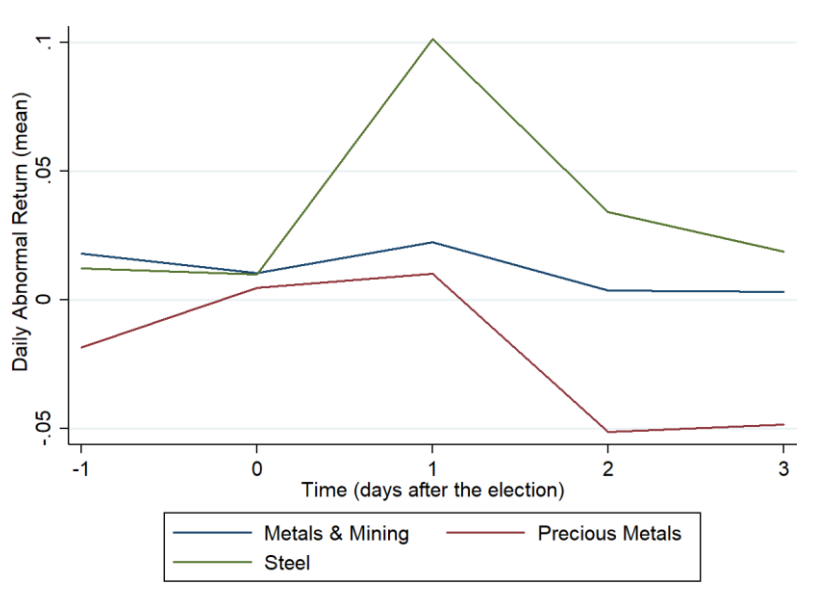


Fig. 4. The estimated daily abnormal returns (mean) of the different metal sectors one day before the election until three days after the election.

Table 1

The estimated daily abnormal return (mean) of the different metal sectors during the election week including the test statistics between brackets.

Sector	7-11-2016	8-11-2016	9-11-2016	10-11-2016	11-11-2016
Metals & Mining	0.0179 (1.24)	0.0104 (1.92 <sup>*</sup> )	0.0224 (1.43)	0.0036 (0.15)	0.0031 (0.59)
Precious Metals	-0.0183 (-2.3 <sup>**</sup> )	0.0048 (0.62)	0.0101 (1.07)	-0.0512 (-5.82 <sup>***</sup> )	-0.0483 (-4.6 <sup>***</sup> )
Steel	0.0123 (1.84 <sup>*</sup> )	0.0099 (1.23)	0.1011 (7.8 <sup>***</sup> )	0.0342 (4.27 <sup>***</sup> )	0.0186 (2.96 <sup>***</sup> )

\* Significant at the 0.10 probability level  
 \*\* Significant at the 0.05 probability level  
 \*\*\* Significant at the 0.01 probability level

As figure 5 presents, the steel sector has on average a positive cumulative abnormal return in the first hundred weeks of Trump his presidency. It is only in the last months of 2018 that the

steel sector on average has serious negative cumulative abnormal returns. The cumulative abnormal return in the steel sector seems to be more volatile after the 61<sup>st</sup> week, which indicates higher negative returns in the downward sloping parts. The cumulative abnormal return is statistically significant at a one percent level until week 19. The first time the cumulative abnormal return is not statistically significant at a ten percent level is in week 24. After week 24, the cumulative abnormal return is, on average, not statistically significant anymore. The other metals (and mining) start with positive cumulative abnormal returns in the first 20 weeks. After that, the sector has, on average, negative cumulative abnormal returns.

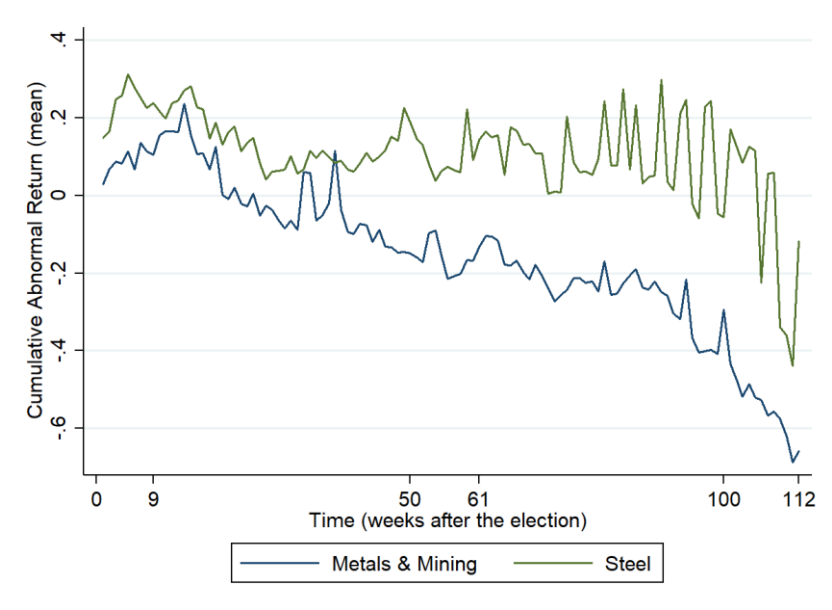


Fig. 5. The estimated weekly cumulative abnormal return (mean) starting in the first week after the presidential election in 2016. The time period is two years after the election of President Trump. A positive CAR indicates a better performance of Trump compared with Obama, because the normal return is close to zero.

During his campaign, Trump promised to boost the steel and metal industry. The industry would be protected against foreign steel and metal producers. As figure 2 shows, one day after the election of President Trump, the steel sector achieved the highest abnormal return of all 62 sectors. This suggests that the campaign promises of President Trump have set positive expectations in the steel sector and that this is reflected in the stock prices. The metal sector has less favorable abnormal return results after the election of President Trump. The sector still had positive abnormal returns, but less impressive as the steel sector. This might be because in Trump his speeches he mentions most of the time the steel industry instead of the metal industry. Therefore, it seems that Trump his campaign promises affected the stock prices of the steel sector in the short-term.

As the short-term sector effect suggests, the steel sector is performing better (positive CAR) after the election of President Trump. The metal sector, which normally is expected to have more or less the same pattern as the steel sector, has a downward sloping and negative CAR. It seems that the steel sector indeed is boosted by the help of President Trump. However, since the CARs are not completely statistically significant, there is no proof from the data that this is the case.

5.2.2 The power and energy sector

As in the metal sector, there are also diversified abnormal returns in the power and energy sector. These abnormal returns are presented in figure 6. The coal and related energy sector reaches an abnormal return of 4.16% (t-statistic = 2.44) one day after the presidential election. In contrast, the green and renewable energy sector achieved an abnormal return of -2.49% (t-statistic = -1.52). One day after the election, the sectors related to oil also do have a positive abnormal return, 3.03% (t-statistic = 6.4) and 3.61% (t-statistic = 4.32). Despite the statistical insignificance of the abnormal return from the green and renewable energy sector, fossil fuels seem to be boosted after the presidential election compared to green and renewable energy. The abnormal return within the power sector is moving between -2% and 2% (at least statistically significant at a ten percent level). Table 2 presents the estimated daily abnormal returns including the t-statistics in the sectors in the election week. These daily abnormal returns match the ones in figure 6.

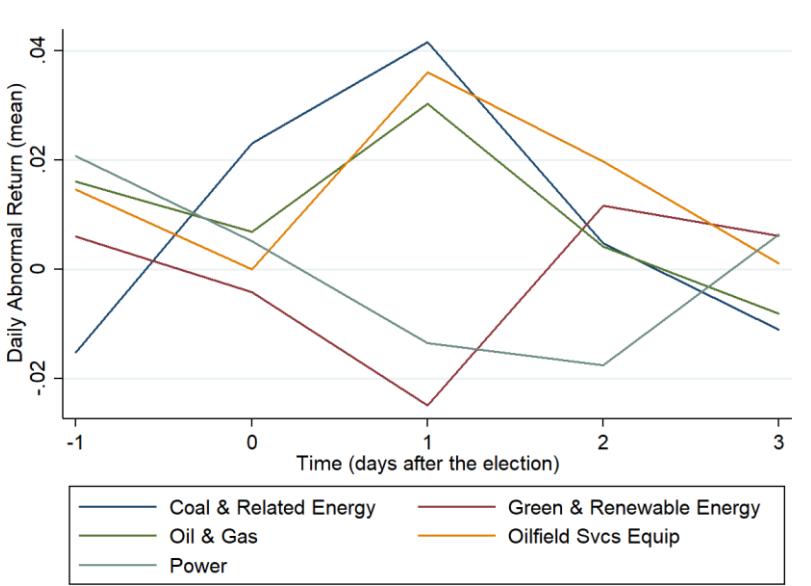


Fig. 6. The estimated daily abnormal return (mean) in the power and energy sector during the election week.

Table 2

The estimated daily abnormal return (mean) in the power and energy sector during the election week including the test statistics between brackets.

Sector	7-11-2016	8-11-2016	9-11-2016	10-11-2016	11-11-2016
Coal & Related Energy	-0.0152 (-0.8)	0.023 (1.4)	0.0416 (2.44 <sup>**</sup> )	0.0047 (0.42)	-0.0111 (-0.66)
Green & Renewable Energy	0.006 (0.5)	-0.0042 (-0.89)	-0.0249 (-1.52)	0.0117 (0.85)	0.0062 (1.78 <sup>*</sup> )
Oil & Gas	0.0161 (4.28 <sup>***</sup> )	0.0069 (1.65 <sup>*</sup> )	0.0303 (6.4 <sup>***</sup> )	0.0042 (1.33)	-0.0081 (-1.97 <sup>**</sup> )
Oilfield Svcs Equip	0.0146 (2.88 <sup>***</sup> )	-0.0001 (-0.01)	0.0361 (4.32 <sup>***</sup> )	0.0198 (3.99 <sup>***</sup> )	0.0011 (0.19)
Power	0.0208 (13.74 <sup>***</sup> )	0.0052 (5.47 <sup>***</sup> )	-0.0135 (-3.95 <sup>***</sup> )	-0.0175 (-3.3 <sup>***</sup> )	0.0064 (1.92 <sup>*</sup> )

\* Significant at the 0.10 probability level

\*\* Significant at the 0.05 probability level

\*\*\* Significant at the 0.01 probability level

Figure 7 presents the cumulative abnormal returns in the power and energy sector during 2017 and 2018. The figure presents the contrast there is between coal & related energy and green & renewable energy. As more coal & related energy is generated, less green and renewable energy is needed and vice versa. This pattern corresponds to the cumulative abnormal return pattern. As coal & related energy has an upward sloping cumulative abnormal return line over 112 weeks, the green & renewable energy line has a downward sloping cumulative abnormal return line. This is in line with Trump his campaign promises to boost the coal & related energy sector and not to invest in green & renewable energy. Both sectors, however, do not have statistically significant cumulative abnormal returns in the first 61 weeks of Trump his presidency. In 2018, the coal and related energy sector slightly becomes statistically significant at a ten percent level. In contrast, the green and renewable energy sector still is statistically insignificant during 2018.

Figure 7 confirms that the oil and gas and the oilfield sectors are related to each other as both sectors show the same pattern of cumulative abnormal return. The oilfield sector has almost the entire 112 weeks a positive cumulative abnormal return. The oil and gas sector does have a negative cumulative abnormal return period in the last half year of 2017. Both oil and gas are not seen as environmental friendly energy sources. The, on average, positive cumulative abnormal returns in both sectors support the view of Trump having faith in these energy sources. The cumulative abnormal return in the oilfield sector is most of the time statistically

significant at a one percent level. The sector is not statistically significant in the 19 weeks after week 25 and in the weeks after week 106. The cumulative abnormal return in the oil and gas sector is statistically significant until week 19. After that, the CAR in this sector is on average not statistically significant.

The power sector has on average a positive CAR until a few weeks before year end 2017. After that, the CAR becomes (and stays) negative. The CAR becomes statistically significant, for a longer period, after week 59.

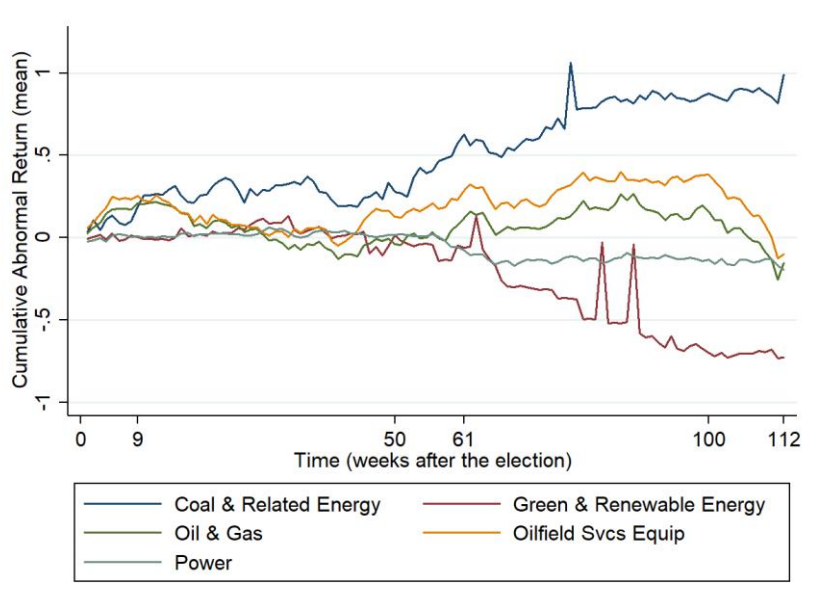


Fig. 7. The estimated weekly cumulative abnormal return (mean) starting in the first week after the presidential election in 2016. The time period is two year period after the election of President Trump.

In his campaign program, Trump also promised to promote fossil fuels. The abnormal returns of the coal and related energy sector has risen after the election of President Trump. However, from the abnormal returns in the election week is only the abnormal return on November 9<sup>th</sup> statistically significant. So, it seems that the coal and related energy sector went up, but there is no statistically significant proof from the data. Oil and gas also seem to have had a boost after the election of President Trump. In contrast to the coal and related energy sector, the oil and gas sectors have more statistically significant abnormal returns during the election week.

Trump is very open about his disbelief in green and renewable energy. Trump promised to promote fossil fuels instead of green and renewable alternatives. One day after Trump his election, the green and renewable energy sector on average had a negative abnormal return. In the second and third day after the presidential election, the sector on average had a positive abnormal return. All abnormal returns were not statistically significant at a ten percent level,

so no conclusions can be withdrawn from this data, but it seems that the sector is performing worse than the other energy sectors.

The power and energy sector seems to support the long-term effect of President Trump. Coal and related energy, which Trump has promised to boost, is upward sloping in terms of cumulative abnormal return. The data supports the better performance in the coal and related energy sector since the CARs are becoming statistically significant during 2018. The opposite is the, in terms of CAR, downward sloping green and renewable energy sector. Trump his disbelief and actions, as withdrawing from the Paris Climate deal, seem to have resulted in negative abnormal returns in the green and renewable energy sector. Since the CARs in this sector are not statistically significant, this cannot be concluded with proof from the data. Trump his support for the oil and gas sector also seems to pay off for these sectors. The positive CARs indicate that in the two years after the presidential election, the sectors are performing better than one year before the election of President Trump. However, this cannot be concluded with certainty since the CARs are not statistically significant for most of the time period.

### 5.2.3 The transportation sector

The sectors that could be representative of the infrastructure in the U.S. are transportation and trucking. The estimated daily abnormal returns during the election week are presented in figure 8. After the election, both sectors have positive abnormal returns (at least statistically significant at a five percent level). This could indicate that there is faith in the improvements of infrastructure. Remarkable is the high abnormal return on the day before the election. This might not support a spike that is caused by the election of Trump. Since Trump was the surprising winner of the presidential election in 2016, it could be that there also was faith in these sectors if Clinton would have won. Table 3 presents the estimated daily abnormal returns including the t-statistics in the sectors in the election week. These daily abnormal returns match the ones in figure 8.



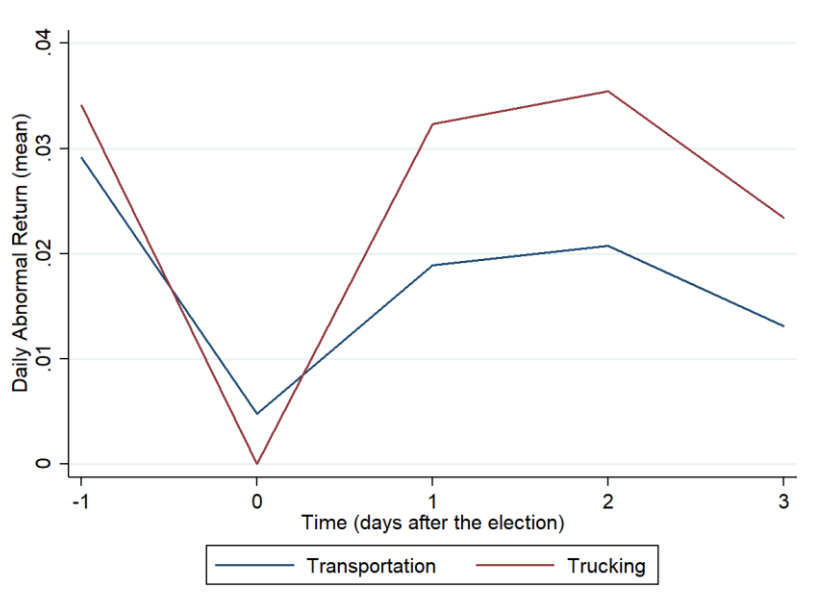


Fig. 8. The estimated daily abnormal return (mean) in the transportation sector during the election week.

Table 3

The estimated daily abnormal return (mean) in the transportation sector during the election week including the test statistics between brackets.

Sector	7-11-2016	8-11-2016	9-11-2016	10-11-2016	11-11-2016
Transportation	0.0292 (9.88 <sup>***</sup> )	0.0048 (2.3 <sup>**</sup> )	0.0189 (2.57 <sup>**</sup> )	0.0208 (4.75 <sup>***</sup> )	0.0131 (4.03 <sup>***</sup> )
Trucking	0.0341 (5.41 <sup>***</sup> )	0 (0)	0.0323 (6.89 <sup>***</sup> )	0.0355 (4.64 <sup>***</sup> )	0.0235 (2.57 <sup>**</sup> )

\* Significant at the 0.10 probability level

\*\* Significant at the 0.05 probability level

\*\*\* Significant at the 0.01 probability level

As figure 9 presents, the cumulative abnormal returns in the transportation and the trucking sector are positive in the two year period after the election of President Trump. After week 37, the trucking sector has a higher daily abnormal return than the transportation sector. With the exception of the weeks 22 and 23 and the weeks 26 until 31 in the trucking sectors, the CARs are statistically significant. The CARs in the transportation sector are statistically significant at a one percent level for almost the entire 112 week period.



Fig. 9. The estimated weekly cumulative abnormal return (mean) starting in the first week after the presidential election in 2016. The time period is two years after the election of President Trump. The positive CAR indicates a better performance of Trump compared with Obama.

Despite, Trump has not taken many actions during his presidency so far to improve the infrastructure, he did promise improvements during his campaign. First, it is arguably if stock price movements are a good measurement to test improvements in infrastructure. Second, it is also arguable if the transportation and trucking sectors are a good measurement for infrastructure, but it seems the best possibility. The transportation sector achieved positive (all statistically significant) abnormal returns during the election week. The abnormal returns seem to rise after the election of President Trump. However, one day before the election, the sector had its highest abnormal return of the week. The trucking sector presents almost the same pattern as the transportation sector. This could indicate that the two sectors indeed are related. The difference is that the drop on the election day is not statistically significant. From the data, there can only be concluded that the sectors that depend on good infrastructure are performing better, in terms of abnormal return, than they did, on average, one year earlier. This can be concluded because of the statistically significant positive abnormal returns. So, it might be that the promises to improve infrastructure are resulting in increasing stock prices of related sectors, but only if stock price movements and the related sectors are a sufficient indicator of improvements in infrastructure.

In the long-term, it is also arguably if the transportation and the trucking sector provide a sufficient view about the development of the U.S. infrastructure. Fact is, that these sectors depend on the U.S. infrastructure. Therefore, this seems to be the best measurement available.

The data and the story do not match. Yes, Trump did promise to improve infrastructure, but he did not take any actions to improve the infrastructure. Therefore, the positive CARs might be caused by some other variables. The contestability makes it hard to draw conclusions in this sector. Since almost all CARs are statistically significant, there can be concluded that the transportation and trucking sector are performing better after the election of President Trump than one year before the election.

#### 5.2.4 The aerospace defense sector

Figure 10 presents the estimated daily abnormal return in the election week in the aerospace defense sector. After the election of President Trump, the daily abnormal return in the defense sector in the election week is positive. One day after the election the sector reaches the highest abnormal return of the week (5.03% (t-statistic = 6.49)) and in the two days after that, the abnormal return is still positive and statistically significant at a one percent level (2.17% and 2.31%). Table 4 presents the estimated daily abnormal returns including the t-statistics in the defense sector in the election week. These daily abnormal returns match the ones in figure 10.

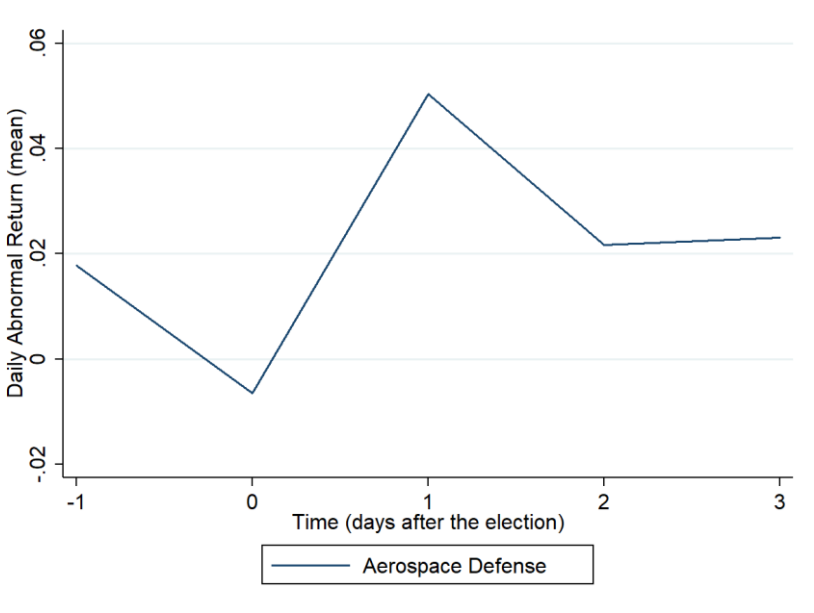


Fig. 10. The estimated daily abnormal return (mean) in the aerospace defense sector during the election week.

Table 4

The estimated daily abnormal return (mean) in the aerospace defense sector during the election week including the test statistics between brackets.

Sector	7-11-2016	8-11-2016	9-11-2016	10-11-2016	11-11-2016
Aerospace Defense	0.0177 (4.26 <sup>***</sup> )	-0.0064 (-1.27)	0.0503 (6.49 <sup>***</sup> )	0.0217 (4.42 <sup>***</sup> )	0.0231 (5.24 <sup>***</sup> )

\* Significant at the 0.10 probability level

\*\* Significant at the 0.05 probability level

\*\*\* Significant at the 0.01 probability level

The cumulative abnormal return in 2017 and 2018 (since the presidential election) of the aerospace defense sector is presented in figure 11. The figure shows that the CAR, since the election, only became negative in 2018. The CAR is statistically significant at least at a ten percent level until week 26 (with an exception in week 23). In the first 19 weeks, the CAR is statistically significant at a one percent level. After week 26, the CAR is most of the time not statistically significant anymore.

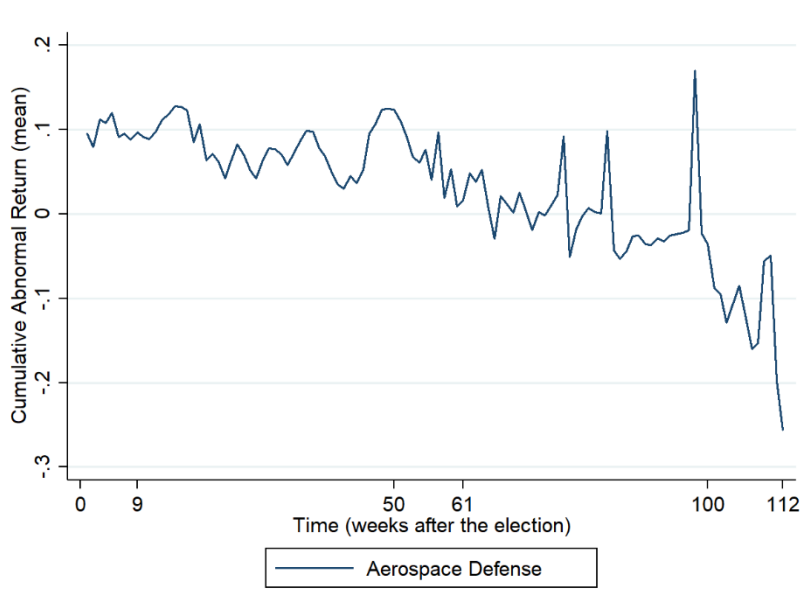


Fig. 11. The estimated weekly cumulative abnormal return (mean) starting in the first week after the presidential election in 2016. The time period is the two year period after the election of President Trump.

Trump has always spoken out his belief in the military facility. The defense sector seems to be affected by the presidential election. Trump his victory could have set positive expectations in the sector. The defense sector reached an abnormal return of over five percent one day after the election. The next two days, the sector also achieved abnormal returns of over two

percent. With statistically significant daily abnormal returns, it seems that the election of President Trump has caused higher stock prices in the defense sector.

In the long-term, Trump has taken actions, as increasing the military budget, to stimulate the defense sector. This seems to be effective since the sector has positive CARs in the 1.5 years after the election of President Trump. However, the effect seems to reduce since the CAR is downward sloping. This reducing of the effect is not supported by the data since the CAR is not statistically significant after week 26 of Trump his presidency.

### 5.2.5 The healthcare sector

As figure 12 presents, after the presidential election the healthcare sector has positive daily abnormal returns in four days of the election week. The abnormal return is not as high as in other sectors that Trump named during his campaign. The healthcare sector seems not to have surprisingly higher abnormal returns because of the election, because the highest abnormal return of the week is one day before the election. Although, the daily abnormal return after the election is increasing every day. The negative abnormal return on the election day is not statistically significant. The positive abnormal returns in the other four days are statistically significant. Table 5 presents the estimated daily abnormal returns including the t-statistics in the sectors in the election week. These daily abnormal returns match the ones in figure 12.

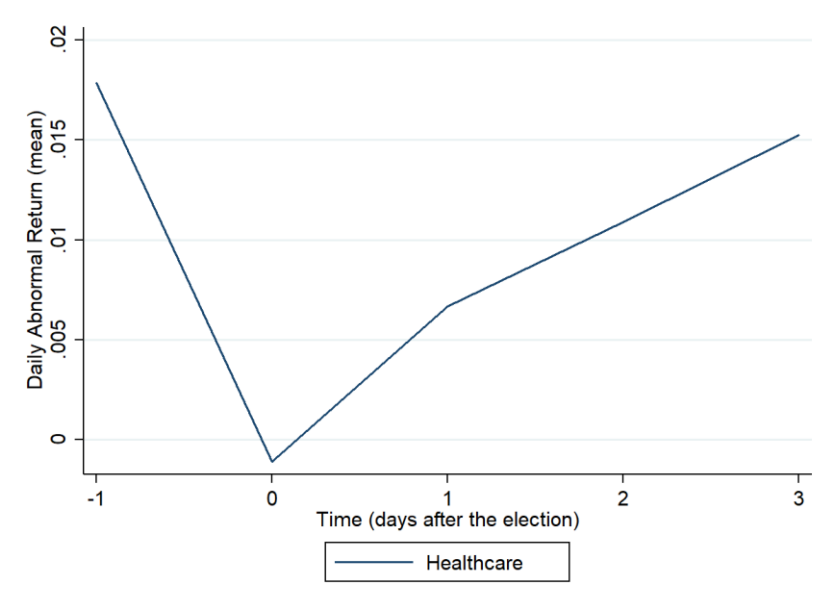


Fig. 12. The estimated daily abnormal return (mean) in the healthcare sector during the election week.

Table 5

The estimated daily abnormal return (mean) in the healthcare sector during the election week including the test statistics between brackets.

Sector	7-11-2016	8-11-2016	9-11-2016	10-11-2016	11-11-2016
Healthcare	0.0179 (6.41 <sup>***</sup> )	-0.0011 (-0.36)	0.0067 (1.65 <sup>*</sup> )	0.0109 (3.1 <sup>***</sup> )	0.0152 (5.32 <sup>***</sup> )

- \* Significant at the 0.10 probability level
- \*\* Significant at the 0.05 probability level
- \*\*\* Significant at the 0.01 probability level

The cumulative abnormal return in 2017 and 2018 (since the presidential election) of the healthcare sector is presented in figure 13. The CAR in the healthcare sector is on average upward sloping in the first 98 weeks. After that, the CAR becomes downward sloping. The CAR is almost the entire 112 weeks positive, which indicates a good performance within the sector compared to one year earlier. However, the CAR is only statistically significant until week 22. After this first 22 week period, the CAR is barely statistically significant.

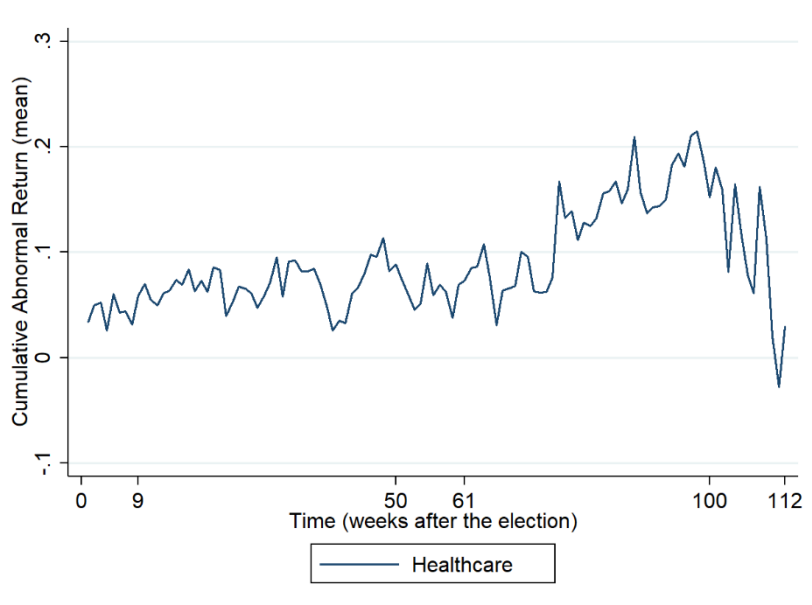


Fig. 13. The estimated weekly cumulative abnormal return (mean) starting in the first week after the presidential election in 2016. The time period is two years after the election of President Trump.

During his campaign, Trump promised to repeal Obamacare and replace it with a better healthcare system. Trump never spoke about what the contest of this new system should be. This probably resulted in less faith in the healthcare sector because of the repeal of Obamacare. However, the data does not support the less faith in the healthcare sector. The sector has positive abnormal returns (and is statistically significant at a ten percent level) in

the three days after the election of President Trump. This indicates that Trump his vague promise about improving the healthcare might was convincing enough. It could also be that the healthcare sector, one day before the election, was affected by the campaign promises of the expected winner Hillary Clinton, since there was a positive abnormal return one day before the election day as well.

The healthcare sector has a positive CAR in the two years after the election of President Trump. This indicates that the sector is performing better than one year before the election of President Trump. Trump has not accomplished the repeal of Obamacare, as he promised in his campaign. Though, Trump has taken actions and has tried to repeal Obamacare, but without the desired result. The positive cumulative abnormal returns during 2017 and 2018 cannot be explained by a change in healthcare system, since Obamacare was both in the estimation window and in the event window.

#### 5.2.6 The technology sector

Technology sectors are sectors that commonly import from not U.S. countries. Therefore, to check if import tariffs are affecting returns, the technology sector might help. The sectors closely related to technology are the electronic and computer sectors. The daily abnormal returns in these sectors during the election week are presented in figure 14. During the election week, the electronic and computer sectors have constant abnormal returns between 0% and 2.5%. The electronic sectors have both one day in which the abnormal return is not statistically significant at a ten percent level. The computer sector has two days in which the abnormal returns are not statistically significant at a ten percent level. The software sector seems to perform slightly worse than the other sectors, but the middle three days of the election week do not represent statistically significant results. Table 6 presents the estimated daily abnormal returns including the t-statistics in the sectors in the election week. These daily abnormal returns match the ones in figure 14.

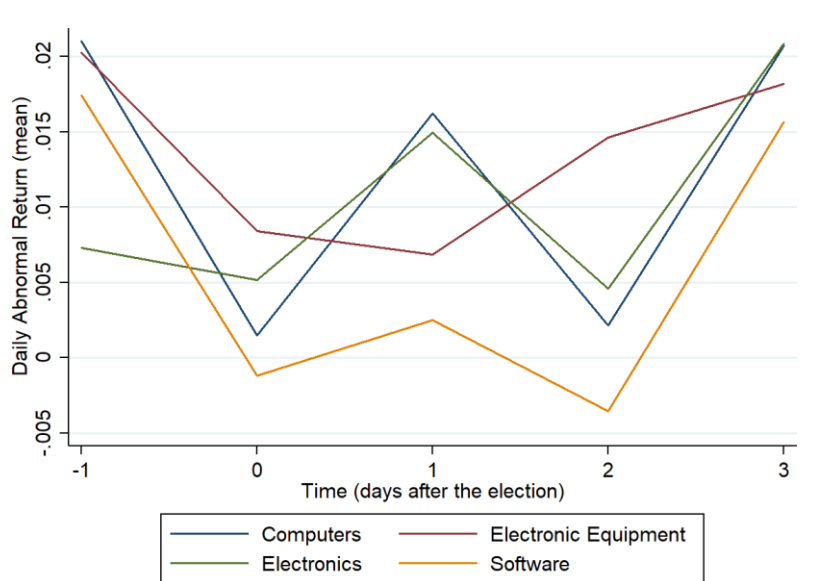


Fig. 14. The estimated daily abnormal return (mean) in the technology sector during the election week.

Table 6

The estimated daily abnormal return (mean) in the technology sector during the election week including the test statistics between brackets.

Sector	7-11-2016	8-11-2016	9-11-2016	10-11-2016	11-11-2016
Computers	0.021 (4.95 <sup>***</sup> )	0.0015 (0.39)	0.0162 (3.42 <sup>***</sup> )	0.0021 (0.36)	0.0207 (4.2 <sup>***</sup> )
Electronic Equipment	0.0203 (3.14 <sup>***</sup> )	0.0084 (2.26 <sup>**</sup> )	0.0069 (0.87)	0.0146 (1.64 <sup>*</sup> )	0.0182 (2.81 <sup>***</sup> )
Electronics	0.0073 (2.2 <sup>**</sup> )	0.0052 (2.1 <sup>**</sup> )	0.015 (3.55 <sup>***</sup> )	0.0046 (0.88)	0.0209 (4.5 <sup>***</sup> )
Software	0.0174 (7.62 <sup>***</sup> )	-0.0012 (-0.43)	0.0025 (0.84)	-0.0036 (-1.23)	0.0157 (3.83 <sup>***</sup> )

\* Significant at the 0.10 probability level

\*\* Significant at the 0.05 probability level

\*\*\* Significant at the 0.01 probability level

The cumulative abnormal returns of the sectors within the technology industry for the 112 weeks after the election of President Trump are presented in figure 15. The computer sector has positive cumulative abnormal returns in the first 90 weeks after the election. After these 90 weeks, the computer sector is strongly downward sloping in terms of cumulative abnormal returns, which indicates serious negative abnormal returns in the sector. The CAR is only statistically significant in the first 38 weeks after the election. After these 38 weeks, the CAR in the computer sector is not statistically significant anymore. The electronics sector has positive cumulative abnormal returns in the first 107 weeks after the election. Only the first



21 weeks are also statistically significant. After these 21 weeks, the CAR is not statistically significant anymore. The electronic equipment sector does have early negative CARs compared to the other sectors. The sector has its first negative CAR 18 weeks after the election. The CAR then fluctuates between positive and negative values until 45 weeks after the election. From 45 weeks, the CAR has positive CARs until the 100<sup>th</sup> week after the election. The electronic equipment sector is only statistically significant in the first five weeks. The most fluctuating sector within this technology industry is the software sector. The CAR is positive in almost all weeks until the 101<sup>st</sup> week after the election. The statistical significance is also fluctuating between significant and not significant CARs, but most of the time the CAR is not statistically significant.

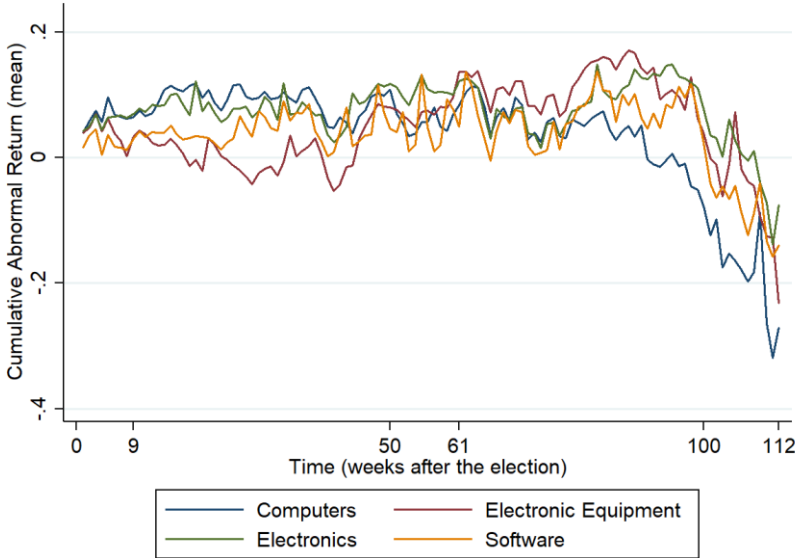


Fig. 15. The estimated weekly cumulative abnormal return (mean) starting in the first week after the presidential election in 2016. The time period is two years after the election of President Trump.

Trump promised to set new import tariffs to reduce the import of domestic companies. Frequently importers in the U.S. economy are technology related companies. If these companies might show negative abnormal returns, this could be due to expected less favorable import tariffs. However, the data does not support this view. All technology related sectors have positive abnormal returns in the three days after the election of President Trump. The only exception is the software sector, but these abnormal returns are not statistically significant at a ten percent level. The data indicates that frequently importing companies are not performing worse because of expected less favorable import tariffs.

Within the technology sector, the electronic equipment sector is the only sector with early negative cumulative abnormal returns. The other sectors have positive CARs in 2017. Therefore, frequently importing sectors, are not performing worse than they did one year before the presidential election. It is only after one hundred weeks after the presidential election that all sectors have negative CARs. Since, most of the time, the CARs are not statistically significant, no conclusions can be withdrawn from this. The pattern, on the other hand, seems to disagree with import tariffs having a negative impact on the long-term.

5.2.7 Other high abnormal return sectors in the election week

Figure 16 presents five sectors that did have high estimated daily abnormal returns after the presidential election in 2016. These sectors have no direct link with the campaign program of Donald Trump. All sectors do have their highest daily abnormal return one day after the election of President Trump. The daily abnormal returns after the election are also all significant at a one percent level except the abnormal return in the education sector on the second day after the election, which is statistically significant at a ten percent level.

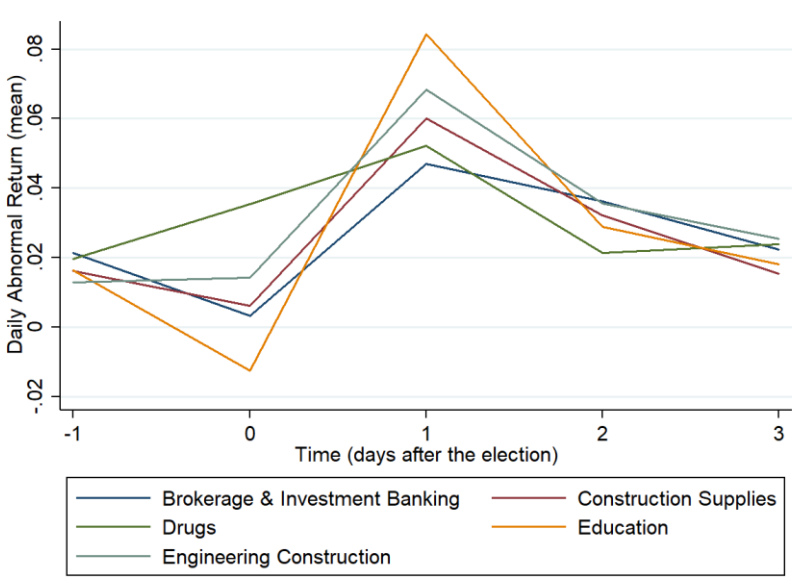


Fig. 16. The estimated daily abnormal return (mean) in the brokerage & investment banking sector, the construction supplies sector, the drugs sector, the education sector and the engineering construction sector during the election week.

Table 7.

The estimated daily abnormal return (mean) in the brokerage & investment banking sector, the construction supplies sector, the drugs sector, the education sector and the engineering construction sector during the election week including the test statistics between brackets.

Sector	7-11-2016	8-11-2016	9-11-2016	10-11-2016	11-11-2016
Brokerage & Investment Banking	0.0215 (5.36 <sup>***</sup> )	0.0032 (1.42)	0.047 (6.05 <sup>***</sup> )	0.0362 (7.17 <sup>***</sup> )	0.0223 (4.29 <sup>***</sup> )
Construction Supplies	0.0161 (4.41 <sup>***</sup> )	0.0061 (2.98 <sup>**</sup> )	0.0601 (7.98 <sup>***</sup> )	0.0322 (7.12 <sup>***</sup> )	0.0154 (2.6 <sup>***</sup> )
Drugs	0.0196 (7.1 <sup>***</sup> )	0.0354 (10.37 <sup>***</sup> )	0.0523 (12.55 <sup>***</sup> )	0.0214 (7.53 <sup>***</sup> )	0.0239 (8.13 <sup>***</sup> )
Education	0.0164 (3.19 <sup>***</sup> )	-0.0125 (-0.79)	0.0843 (4.97 <sup>***</sup> )	0.0289 (1.82 <sup>*</sup> )	0.0181 (3.66 <sup>***</sup> )
Engineering Construction	0.0129 (3.11 <sup>***</sup> )	0.0142 (1.82 <sup>*</sup> )	0.0684 (9.96 <sup>***</sup> )	0.0357 (8.85 <sup>***</sup> )	0.0254 (4.94 <sup>***</sup> )

\* Significant at the 0.10 probability level

\*\* Significant at the 0.05 probability level

\*\*\* Significant at the 0.01 probability level

The sectors seem to maintain the positive abnormal returns since the CARs are all positive in the first year after the presidential election in 2016. The construction supplies and the engineering construction sector have a more stable CAR during 2017, which indicates that positive and negative abnormal returns are almost equal. In 2018, the CAR becomes downward sloping in these sectors, which indicates negative abnormal returns. The brokerage and investment banking, the drugs and the education sector all have an upward sloping CAR in the first 1.5 years after the presidential election in 2016. After that, the CAR is downward sloping and becomes even negative in the education sector. The brokerage and investment banking, construction supplies and the drugs sector are all statistically significant at a one percent level in the first one hundred weeks after the presidential election. The CAR in the education sector is in the first 96 weeks at least statistically significant at a ten percent level, but most weeks at a one percent level. The engineering construction is (most of the weeks) statistically significant at a ten percent level until 71 weeks after the presidential election. After that, the CAR in the sector is not statistically significant at a ten percent level anymore.

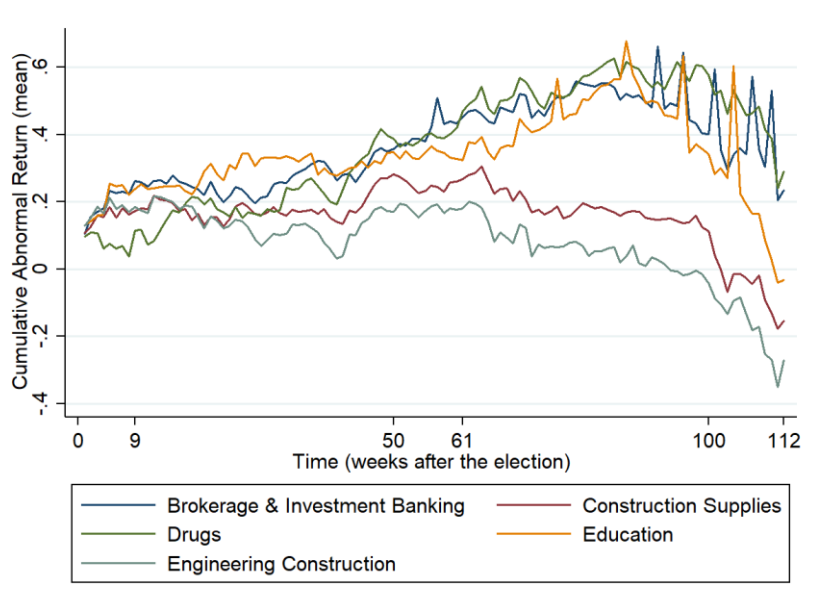


Fig. 17. The estimated weekly cumulative abnormal return (mean) starting in the first week after the presidential election in 2016. The time period is two years after the election of President Trump.

## VI. Conclusion

In this section, the conclusions will be withdrawn about the results in result section. This section also reflects on the hypotheses developed in chapter III.

### 6.1 Short term

President Trump being a Republican president combined with the fact that Republican presidents tend to have high growth in election years, would suggest that there is a short-term effect on the returns of U.S. companies. This effect is also supported by the actions that Trump took that probably changed the stock prices of U.S. companies.

*[H1] The election of President Trump has caused a short-term abnormal return from the stock prices in the election week.*

The results of the short-term event study support hypothesis 1 from the hypothesis chapter. Figure 1 and figure 2 show the abnormal returns one day after the election of Donald Trump. The abnormal returns of 44 out of 62 sectors are statistically significant at a ten percent level. From these 44 sectors, there are 38 sectors whose abnormal return is statistically significant at a five percent level and 33 sectors whose abnormal return is statistically significant at a one percent level. On top of that, several sectors that were predicted to change did have high

abnormal returns after the election of President Trump. Therefore, it seems that the election of President Trump has caused short-term abnormal returns.

## 6.2 Sector effect

*[H2] Sectors that Trump has promised to support in his campaign program have positive abnormal returns in the election week.*

The sector that would receive the most support, according to Trump his promises, was the steel industry. This promise seems to be fulfilled, since one day after the election of President Trump, the steel sector had the highest daily abnormal return. So, the data supports a short-term boost in the steel industry, also because the daily abnormal returns after the election were statistically significant.

Another promise of Trump was to promote fossil fuels. Also this promise seems to have a positive impact on the stock prices, since the coal and related energy and the oil and gas sectors had positive abnormal returns after the election day. The coal and related energy sector had only one out the three days after the election a significant abnormal return. The oil and gas sectors had two out of three days a significant abnormal return. Therefore, it seems that also the promise to promote fossil fuels has a positive effect on the stock prices, but this cannot be concluded with certainty, since, especially in the coal and related energy sector, the abnormal returns are not statistically significant.

Also the promise about the improvement of infrastructure appears to have a positive impact on the stock prices of related sectors. Provided that the transportation and trucking sectors are representative of infrastructure, these infrastructure sectors had positive daily abnormal returns after the presidential election. The main question here is if the positive daily abnormal returns were caused by the presidential election, since the sectors had high abnormal returns in the day before the election as well. As in the other sectors, the transportation and trucking sectors did not have the spike in abnormal return after the election. Despite this, the infrastructure related sectors did have positive and statistically significant daily abnormal returns after the election day, as predicted.

Trump his promises to invest in the military and defense sector also seems to have a positive effect on the stock prices within the sector. The sector does have an increase in abnormal return directly after the election of President Trump. The positive and statistically significant

daily abnormal returns after the election indicate that the abnormal returns are caused by the presidential election.

The presidential support seems to have its impact on the related sectors. The related sectors all had positive abnormal returns after the presidential election. The abnormal returns were also at least statistically significant at a ten percent level. The only exception are the abnormal returns in the coal and related energy sectors. Therefore, provided that the assumptions are correct, it can be concluded that hypothesis two is true.

*[H3] Sectors against which Trump promised, in his campaign program, to take negative actions have negative abnormal returns in the election week.*

In his campaign, Trump promised that he would repeal Obamacare and replace it with a better healthcare system. Trump has never explained which healthcare system he would introduce to replace Obamacare. The data does not support a disbelief in the healthcare sector, since the abnormal returns in the election week were all positive after the election day. This would rather support that the promises for a better healthcare system raised the stock prices than that the stock prices would decline because of Trump his promises to repeal Obamacare. The daily abnormal return after the election is less than two percent, which is low compared to other sectors that Trump would support. At least there can be concluded that Trump his promises to repeal Obamacare did not result in lower stock prices.

Provided that the technology sector is representative of the stock price changes because of the promised import tariffs, it seems that Trump his promise about new import tariffs not has a negative result on the stock prices. None of the technology related sectors has a significant negative daily abnormal return after the election of President Trump. The daily abnormal returns are not as high as the former sectors. With the software sector excepted, all technology related sectors had two out of three days significant (at least at a ten percent level) daily abnormal returns. Therefore it can be concluded that the promised new import tariffs in Trump his campaign program did not have negative impact on the related sectors' stock prices.

Trump his disbelief in green and renewable energy seems to have caused a negative daily abnormal return after the presidential election. One day after the election, the sector had a negative daily abnormal return. Since this abnormal return is not significant, it cannot be concluded that there is a decline in the stock prices of companies within the green and renewable energy sector.

The sectors at which Trump has promised to take negative actions do not have statistically significant negative abnormal returns in the election week. The promises to repeal Obamacare did not result in negative daily abnormal returns in the healthcare sector and the technology sector also did not have significant negative abnormal returns. Despite these sectors, it seems that the green and renewable energy sector is having negative abnormal returns, but these are not statistically significant. Therefore, it cannot be concluded that hypotheses three is true.

### 6.3 Long term

*[H4] The abnormal return in the affected sectors in the short-term will reduce over the two year period (2017 and 2018) after the presidential election (long-term).*

There could be a long-term effect if the positive or negative short-term abnormal return pattern continues in the two years after the presidential election. The steel sector has positive cumulative abnormal returns in the 1.5 years after the presidential election. However, these CARs are most of the weeks not statistically significant. The coal and related energy sector has an upward sloping CAR, which is statistically significant in 2018. This would support a long-term impact. The oil and gas sectors also do have positive CARs, but these are most of the time not statistically significant. The downward sloping CAR in the green and renewable energy sector would support the long-term effect as well, but also these CARs are not statistically significant. Also the positive (and significant) CARs in the transportation and trucking sectors support the better performance after Trump his promises to improve the infrastructure. The long-term effect in the defense sector seems to disappear during 2018 when the CAR is becoming negative. The CAR in 2017 is downward sloping which indicates negative abnormal returns in this period. Therefore, the defense sector seems not to support the long-term effect. Since the CARs are not statistically significant anymore after week 26, there can no conclusions be withdrawn from this data. The healthcare sector has an upward sloping positive CAR in the 100 weeks after the election. This supports the long-term effect of Trump his promise to replace Obamacare with a better healthcare system. However, Trump was not be able to replace Obamacare in this period, which makes it hard to conclude what caused the upward sloping CAR. Also the technology sector does not have negative CARs in the long-term.

Based on the cumulative abnormal returns, it seems that President Trump has caused a long-term effect in some sectors, but due to a lack of statistically significant results and some contradictory results, this cannot be concluded with certainty.

#### 6.4 Limitations and recommendations

This study provides only the impact that the 2016 presidential election had on the stock prices. Other economic aspects are not included in this study. The major assumption in this study is that the long-term impact only could be caused by the President of the United States. The long-term part is only acceptable if men believes that this is true. If there would be enough information available, another normal return benchmark could be used, which might have led to different results. In future studies, the effect of the new import policy of Trump could be tested in different countries. Future studies could also check for other presidential impact on different aspects in the (American) economy.



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## Appendix 1: All sector abnormal return in the election week

This appendix provides the estimated daily abnormal returns of all 62 sectors within the short-term event study. Table 8 contains the details of figure 1 and figure 2 including the test statistics.

Table 8.

The estimated daily abnormal returns including the test statistics between brackets of all 62 sectors within the short-term event study.

Sector	7-11-2016	8-11-2016	9-11-2016	10-11-2016	11-11-2016
Advertising	0.0029 (0.35)	-0.0209 (-0.92)	0.0029 (0.24)	0.0311 (1.28)	0.0217 (2.39)
Aerospace Defense	0.0177 (4.26)	-0.0064 (-1.27)	0.0503 (6.49)	0.0217 (4.42)	0.0231 (5.24)
Apparel	0.0163 (1.52)	0.0038 (1.21)	0.0214 (5.75)	0.0316 (5.65)	0.0339 (2.85)
Auto Parts	0.0158 (4.79)	-0.0043 (-1.48)	0.0027 (0.65)	0.0122 (1.97)	0.0172 (3.21)
Banks	0.0096 (11.67)	-0.0017 (-2.99)	0.0177 (15.37)	0.0158 (15.03)	0.0148 (13.3)
Beverage	0.0009 (0.06)	-0.0047 (-0.57)	0.0136 (1.59)	0.0016 (0.12)	-0.0026 (-0.2)
Broadcasting	0.0195 (3.44)	-0.0116 (-1.62)	0.0158 (1.8)	0.0188 (3.52)	0.0374 (4.58)
Brokerage & Investment Banking	0.0215 (5.36)	0.0032 (1.42)	0.047 (6.05)	0.0362 (7.17)	0.0223 (4.29)
Building Materials	0.0137 (5.06)	0.0092 (2.1)	0.0266 (5.72)	0.0247 (5.5)	0.0166 (2.94)
Business & Consumer Services	0.0164 (2.87)	0.0008 (0.14)	0.0156 (3.12)	0.0122 (3.75)	0.0147 (3.43)
Cable TV	0.0188 (6.13)	0.007 (1.75)	0.0144 (2.96)	-0.0028 (-0.7)	0.0082 (1.11)
Chemical	0.0172 (4.67)	0.0107 (2.22)	0.0234 (7.03)	0.0145 (2.94)	0.0144 (3.12)
Coal & Related Energy	-0.0152 (-0.8)	0.023 (1.4)	0.0416 (2.44)	0.0047 (0.42)	-0.0111 (-0.66)
Computers	0.021 (4.95)	0.0015 (0.39)	0.0162 (3.42)	0.0021 (0.36)	0.0207 (4.2)
Construction Supplies	0.0161 (4.41)	0.0061 (2.98)	0.0601 (7.98)	0.0322 (7.12)	0.0154 (2.6)
Diversified	0.0155 (4.7)	0.0026 (1.69)	0.0159 (3.11)	0.0185 (3.67)	0.0064 (2.3)
Drugs	0.0196 (7.1)	0.0354 (10.37)	0.0523 (12.55)	0.0214 (7.53)	0.0239 (8.13)
Education	0.0164 (3.19)	-0.0125 (-0.79)	0.0843 (4.97)	0.0289 (1.82)	0.0181 (3.66)
Electronic Equipment	0.0203 (3.14)	0.0084 (2.26)	0.0069 (0.87)	0.0146 (1.64)	0.0182 (2.81)
Electronics	0.0073 (2.2)	0.0052 (2.1)	0.015 (3.55)	0.0046 (0.88)	0.0209 (4.5)
Engineering Construction	0.0129 (3.11)	0.0142 (1.82)	0.0684 (9.96)	0.0357 (8.85)	0.0254 (4.94)
Entertainment	0.0291 (2.27)	0.001 (0.08)	0.0257 (1.77)	0.0023 (0.34)	0.0026 (0.39)
Environmental & Waste Services	0.0133 (1.99)	0.0046 (1.45)	0.0111 (1.22)	0.0091 (1.02)	0.0028 (0.18)
Farming Agriculture	0.0174 (2.89)	-0.0012 (-0.38)	-0.0084 (-1.44)	-0.0041 (-0.41)	-0.0063 (-0.91)
Financial svcs	0.0084 (5.95)	-0.0065 (-2.85)	0.0199 (7.26)	0.0167 (5.3)	0.0106 (4.64)
Food	0.0195 (5.09)	0.0083 (1.63)	0.0054 (0.64)	-0.0102 (-1.31)	0.0026 (0.51)
Furn Home Furnishings	0.0179 (4.68)	-0.0017 (-0.4)	0.0251 (6.2)	0.0148 (2.64)	0.0141 (1.69)
Green & Renewable Energy	0.006 (0.5)	-0.0042 (-0.89)	-0.0249 (-1.52)	0.0117 (0.85)	0.0062 (1.78)
Healthcare	0.0179 (6.41)	-0.0011 (-0.36)	0.0067 (1.65)	0.0109 (3.1)	0.0152 (5.32)
Homebuilding	0.0128 (5.6)	-0.0043 (-1.37)	0.0111 (2.61)	0.022 (5.35)	0.0139 (3.38)
Hotel Gaming	0.0142 (3.86)	0.0099 (3.57)	0.0159 (3.67)	0.0052 (1.07)	0.0144 (2.44)
Household Products	0.0123 (2.18)	-0.0076 (-0.87)	0.0067 (0.96)	-0.0082 (-1.32)	0.0151 (2.64)
Information Services	0.0194 (5.77)	0.0012 (0.31)	-0.0009 (-0.14)	0.0005 (0.1)	0.0128 (2.67)
Insurance	0.0117 (5.52)	0.0089 (3.13)	0.0255 (6.99)	0.0247 (6.16)	0.0177 (4.62)
Investments & Asset Management	0.0212 (4.33)	0.0024 (0.59)	0.023 (4.34)	0.0184 (4.02)	0.0056 (1.68)
Machinery	0.0208 (8.24)	0.0052 (1.27)	0.038 (7.72)	0.0301 (9.95)	0.0176 (6.1)
Metals & Mining	0.0179 (1.24)	0.0104 (1.92)	0.0224 (1.43)	0.0036 (0.15)	0.0031 (0.59)
Office Equipment	0.0287 (6.83)	0.0122 (1.34)	0.0333 (4.03)	0.0211 (3.84)	0.0494 (4.99)
Oil & Gas	0.0161 (4.28)	0.0069 (1.65)	0.0303 (6.4)	0.0042 (1.33)	-0.0081 (-1.97)
Oilfield Svcs Equip	0.0146 (2.88)	-0.0001 (-0.01)	0.0361 (4.32)	0.0198 (3.99)	0.0011 (0.19)
Packaging & Container	0.0185 (3.87)	0.0049 (2.47)	0.0091 (1.88)	-0.0027 (-0.52)	0.0037 (1.33)
Paper Forest Products	-0.0062 (-0.88)	0.0057 (1.69)	0.036 (5.65)	0.0102 (1.44)	0.0166 (2.54)
Power	0.0208 (13.74)	0.0052 (5.47)	-0.0135 (-3.95)	-0.0175 (-3.3)	0.0064 (1.92)
Precious Metals	-0.0183 (-2.3)	0.0048 (0.62)	0.0101 (1.07)	-0.0512 (-5.82)	-0.0483 (-4.6)
Publishing & Newspapers	0.0015 (0.15)	-0.0005 (-0.06)	0.0174 (1.86)	0.0214 (2.31)	0.0026 (0.23)
R.E.I.T.	0.0154 (14.8)	0.0032 (3.71)	-0.0051 (-2.36)	-0.0126 (-7.62)	0.0125 (9.64)
Real Estate	0.0145 (3.53)	0.0011 (0.15)	0.014 (2.69)	-0.0005 (-0.04)	0.0115 (1.17)
Recreation	0.0162 (2.52)	0.0057 (1)	0.0033 (0.36)	0.0144 (1.91)	0.0105 (2.54)
Restaurant Dining	0.0161 (4.11)	-0.0026 (-0.63)	0.0276 (5.94)	0.0126 (2.93)	0.0179 (3.98)
Retail	0.0154 (8.81)	0.0001 (0.05)	0.024 (8.28)	0.0249 (10.97)	0.0158 (7.17)
Rubber & Tires	-0.0004 (-0.06)	0.0116 (12.46)	0.0065 (0.67)	0.0388 (66.73)	0.0026 (0.88)
Semicon Equip	0.0218 (4.51)	0.0049 (1.35)	0.0075 (1.83)	-0.0022 (-0.49)	0.0215 (2.85)

Semiconductor	0.0243 (8.16)	0.0032 (0.9)	0.0003 (0.08)	-0.0154 (-3.74)	0.0281 (4.02)
Shipbuilding & Marine	0.0199 (2)	-0.0321 (-1.14)	0.0395 (2.37)	0.0756 (2.22)	0.0487 (1.31)
Shoe	0.0136 (3.37)	0.0194 (3.1)	0.0049 (0.98)	0.0185 (2.48)	0.0274 (1.87)
Software	0.0174 (7.62)	-0.0012 (-0.43)	0.0025 (0.84)	-0.0036 (-1.23)	0.0157 (3.83)
Steel	0.0123 (1.84)	0.0099 (1.23)	0.1011 (7.8)	0.0342 (4.27)	0.0186 (2.96)
Telecom	0.013 (4.08)	0.0059 (2.28)	0.0171 (4.87)	-0.0028 (-0.64)	0.0211 (6.26)
Tobacco	0.0308 (1.94)	0.0004 (0.09)	0.0049 (0.37)	-0.0214 (-1.87)	0.0087 (1.13)
Transportation	0.0292 (9.88)	0.0048 (2.3)	0.0189 (2.57)	0.0208 (4.75)	0.0131 (4.03)
Trucking	0.0341 (5.41)	0 (0)	0.0323 (6.89)	0.0355 (4.64)	0.0235 (2.57)
Utility	0.018 (9.67)	0.0079 (5.63)	-0.0146 (-2.33)	-0.018 (-8.46)	0.0152 (2.87)

## Appendix 2: Significance of the cumulative abnormal returns

This appendix provides the figures with the test statistics of the sectors within the long-term event study. Figure 18 provides the test statistics of the metal sector. Figure 19 provides the test statistics of the power and energy sector. Figure 20 provides the test statistics of the infrastructure sector. Figure 21 provides the test statistics of the defense sector. Figure 22 provides the test statistics of the healthcare sector. Figure 23 provides the test statistics of the technology sector. Figure 24 provides the test statistics of the other sectors that had high daily abnormal returns after the election.

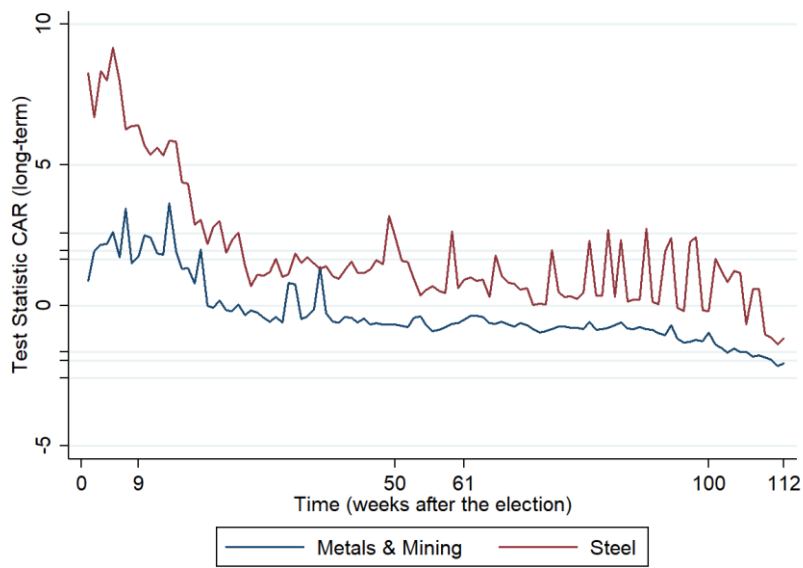


Fig. 18. The test statistic of the estimated cumulative abnormal return over the 112 week period after the election of President Trump in the metal sector. These test statistics are used to test if the cumulative abnormal returns are statistically significant.

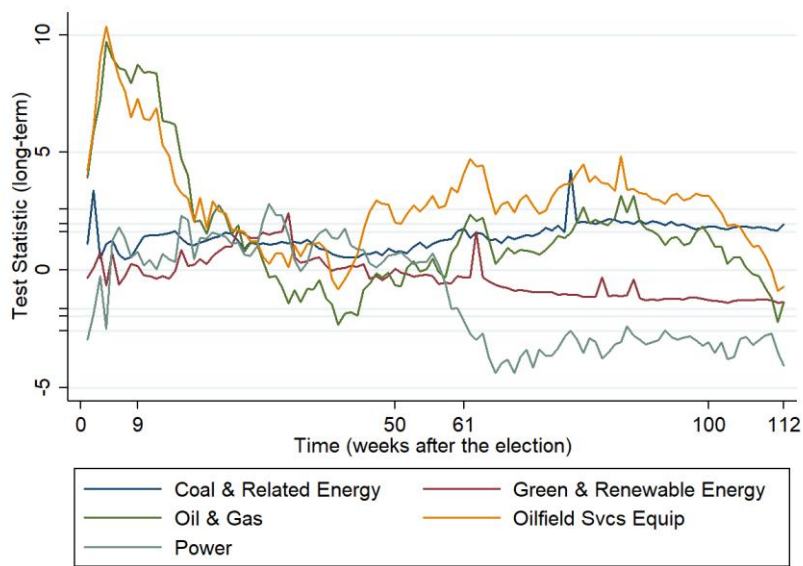


Fig. 19. The test statistic of the estimated cumulative abnormal return over the 112 week period after the election of President Trump in the power and energy sector. These test statistics are used to test if the cumulative abnormal returns are statistically significant.

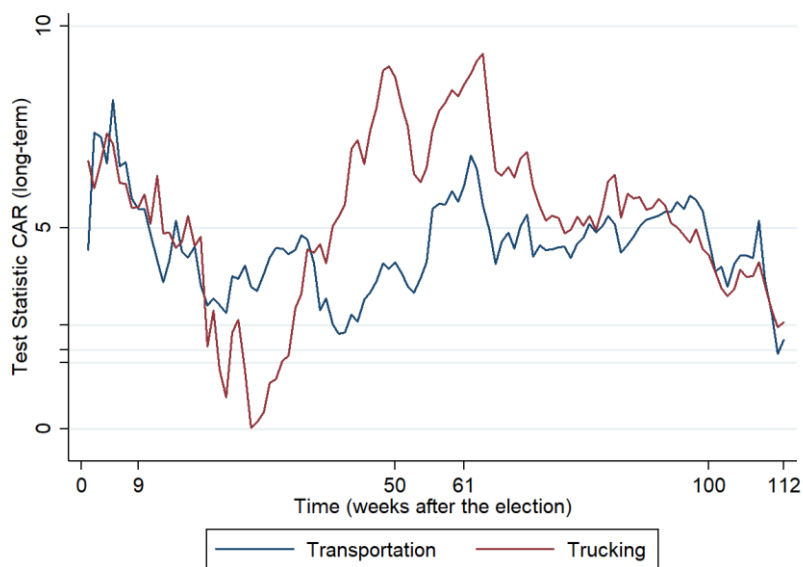


Fig. 20. The test statistic of the estimated cumulative abnormal return over the 112 week period after the election of President Trump in the infrastructure sector. These test statistics are used to test if the cumulative abnormal returns are statistically significant.

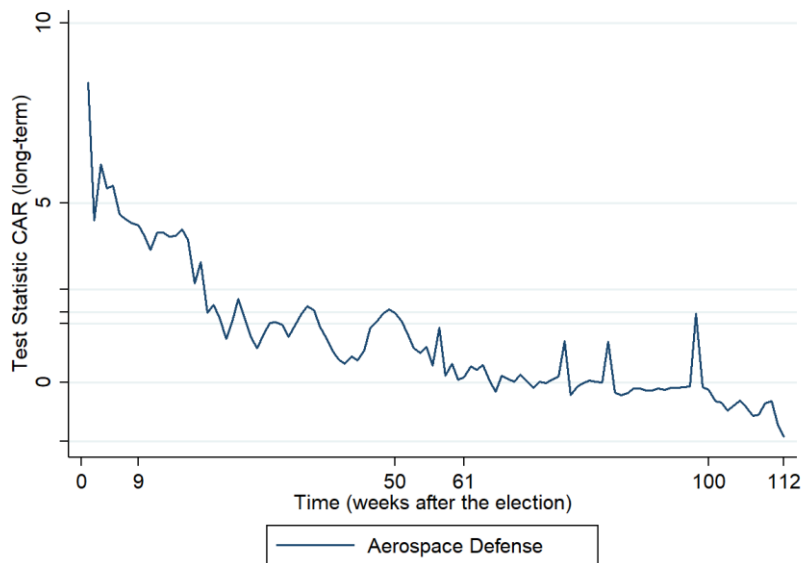


Fig. 21. The test statistic of the estimated cumulative abnormal return over the 112 week period after the election of President Trump in the defense sector. These test statistics are used to test if the cumulative abnormal returns are statistically significant.

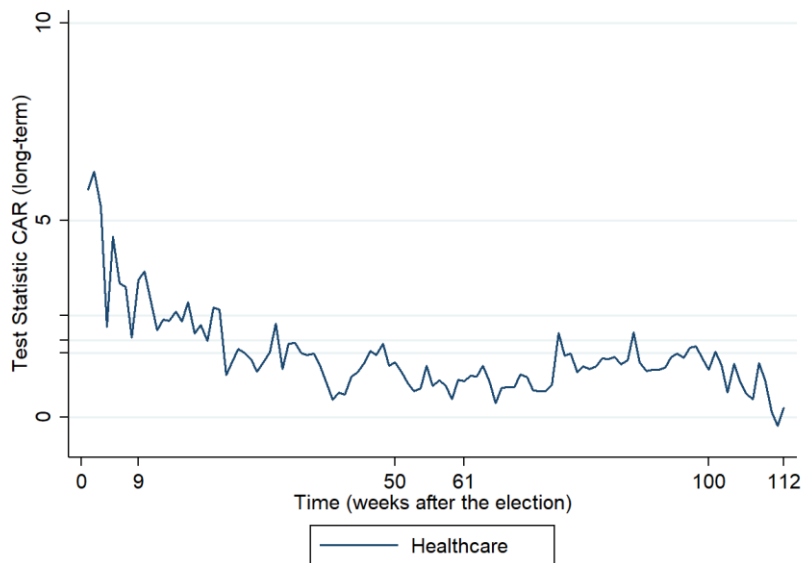


Fig. 22. The test statistic of the estimated cumulative abnormal return over the 112 week period after the election of President Trump in the healthcare sector. These test statistics are used to test if the cumulative abnormal returns are statistically significant.

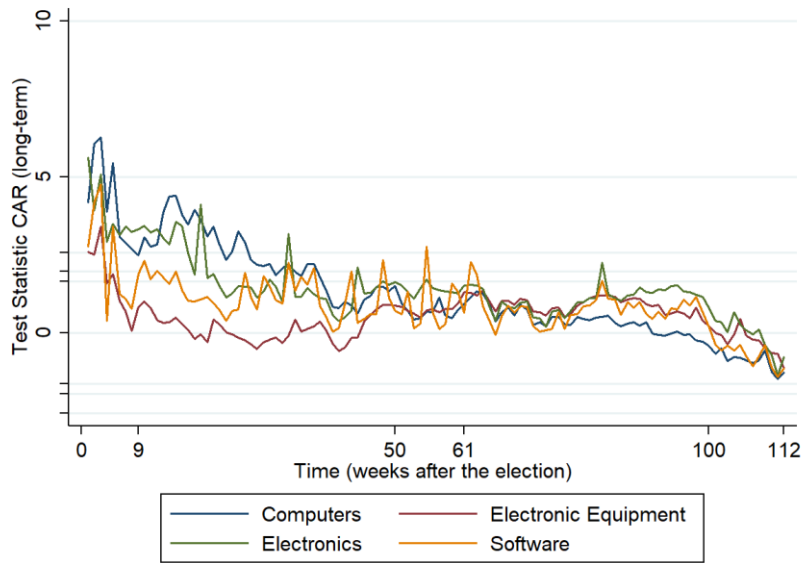


Fig. 23. The test statistic of the estimated cumulative abnormal return over the 112 week period after the election of President Trump in the technology sector. These test statistics are used to test if the cumulative abnormal returns are statistically significant.

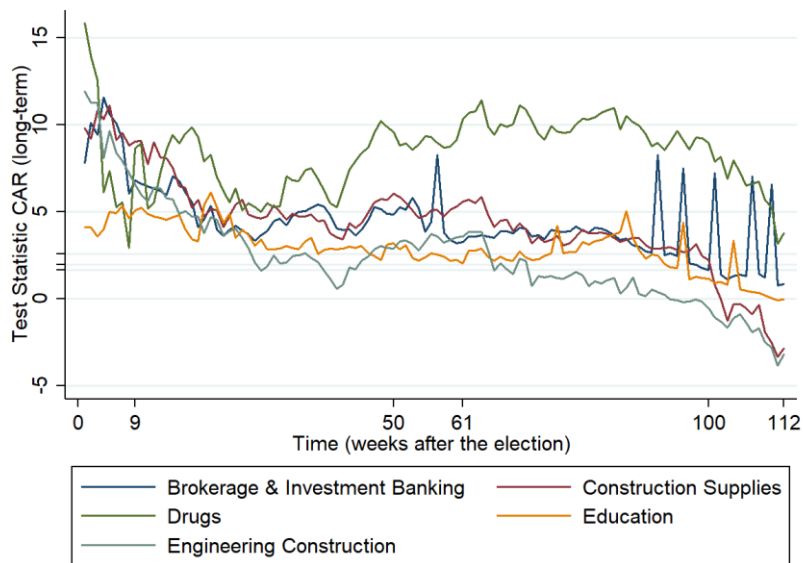


Fig. 24. The test statistic of the estimated cumulative abnormal return over the 112 week period after the election of President Trump in the other sector with high daily abnormal returns after the presidential election. These test statistics are used to test if the cumulative abnormal returns are statistically significant.