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► Volume 27, Issue 18 ► Political news and stock prices: evidenc ....

Research Article

Political news and stock prices: evidence from Trump's trade war

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ABSTRACT

This study investigates the impact of political news on stock price movements. Analysing more than 3,200 tweets from US President Donald Trump's Twitter account, we find that tweets related to the US-China trade war negatively predict S&P 500 returns and positively predict VIX. Granger causality estimates indicate that the causal relationship is one-directional – from Trump tweets to returns and VIX. Finally, the results vary across industries depending on their degree of trade intensity with China.

KEYWORDS:

Granger causality   political news   Trump   Twitter   trade war

JEL CLASSIFICATION:

F1   F4   G1

Acknowledgments

Disclosure statement

Correction Statement

This article has been republished with minor changes. These changes do not impact the academic content of the article.

Notes

[1] Trump twittered 16,752 times from June 2015 to June 2019, according to the Trump Twitter Archive website.

[2] Bloomberg article titled 'Each Word of Trump's Tariff Tweets Wiped $13 Billion Off Stocks' on 8 May 2019.

[3] On 6 June 2017, White House press-secretary Sean Spicer declared that Mr. Trump's tweets are 'official statements'.

[4] We use MSCI China, Nikkei, DAX, FTSE100 and EURO STOXX 50.

[5] We use the 3-month T-Bill rate, Economic Policy Uncertainty index, Industrial Production Index and WTI crude-oil.

[6] We thank an anonymous referee for pointing out the insightful suggestion to test the impact of political news on industry-level stock returns.

[7] Matrix setup is available upon request.

[8] The results are available upon request.

[9] The results are available upon request.

[10] The results are available upon request.

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