**Research Proposal**

**Title: Presidential Impact on Stock Market Volatility and Trading Volume**

**Research Questions**

1. **Comparative Volatility Influence**: Did President Trump’s presidency (2017–2020) correspond to significantly higher stock market volatility and trading volume than other administrations (Clinton, Bush, Obama)?
2. **Sector-Specific Impacts**: Were trade-exposed or deregulation-sensitive sectors (e.g. technology, industrials) more volatile under Trump compared to defensive sectors and to their performance under previous presidents?

**Hypotheses**

* H1: Average volatility (VIX or daily return variability) under Trump exceeded that of other recent presidents.
* H2: Average trading volumes—and frequency of volume spikes—were higher during Trump’s term.
* H3: Trade-sensitive sectors experienced disproportionately larger volatility and volume increases under Trump than defensive sectors, and more so than under earlier presidencies.

**Literature Review (brief)\*\***

**Trump and Market Volatility:** Empirical studies (e.g. Nishimura et al. 2021) show Trump's tweets significantly increased realized volatility and jump risk in returns due to sudden market responses [ScienceDirect+6IDEAS/RePEc+6UR Scholarship Repository+6](https://ideas.repec.org/a/bla/jfnres/v44y2021i3p497-512.html?utm_source=chatgpt.com). Christian Hoven’s thesis confirms company-specific tweets raised abnormal volatility and trading volume by ~19% [ScienceDirect+2UR Scholarship Repository+2Doria+2](https://scholarship.richmond.edu/honors-theses/1484/?utm_source=chatgpt.com). Research also finds disagreement in social media conversations mentioning Trump and firms correlates with heightened volatility and volume before inauguration [Investopedia+5centaur.reading.ac.uk+5ftp.aeaweb.org+5](https://centaur.reading.ac.uk/88906/1/trump191215.pdf?utm_source=chatgpt.com).  
**Election Uncertainty:** Studies across U.S. presidential cycles show elevated election uncertainty leads to higher volatility, but systematic comparison across presidencies is rare [ScienceDirect](https://www.sciencedirect.com/science/article/pii/S1544612320302300?utm_source=chatgpt.com" \t "_blank)[ScienceDirect](https://www.sciencedirect.com/science/article/pii/S0378426612003603?utm_source=chatgpt.com).  
**Global Comparisons:** Limited peer-reviewed research exists comparing Trump-style shocks to market effects from other populist leaders or political events.

**Gap:** No existing peer-reviewed study has systematically compared volatility and trading volume across multiple U.S. presidencies controlling for macro shocks, nor sector-level differences across administrations. Sectoral volatility comparisons across presidents are virtually unexplored.

**Ideal Data (High-Resolution Event Studies)**

* **Event-Level Presidential Communication:** Timestamped, rich data on Trump’s tweets, press announcements, policy declarations; and equivalent significant communications for prior presidents. Include sentiment and topic coding.
* **High-Frequency Market Data:** Intraday price and volume (minute-level or tick-level) for indices and stocks, enabling detection of immediate reactions—volatility jumps and volume surges—following each presidential signal.
* **Volatility and Policy Uncertainty Indices:** Intraday or daily VIX and implied volatility metrics, alongside Economic Policy Uncertainty (EPU) and news-based uncertainty measures to capture market fear and policy flux.
* **Sector & Asset-Class Coverage:** Minute-level trading data for sector indices, industry portfolios, bond, currency, and commodity markets to examine how volatility and activity across asset classes and sectors respond to presidential actions.
* **Multi-Presidency Baseline Data:** Comparable data across administrations (2000–2024) including global indices, to benchmark Trump’s market effects versus past U.S. presidents and other global leaders.

**Realistic Data (WRDS Access) & Compromises**

We will use WRDS for feasible data extraction, noting tradeoffs:

* **CRSP Daily Stock Data**: Daily returns and trading volume for U.S. stocks and indices (e.g. S&P 500 or CRSP value‑weighted index). Enables measurement of daily volatility and volume by term.
* **Sector Classification**: Industry codes via Compustat or WRDS Fama–French industry portfolios permit aggregation to sector-level returns and volumes.
* **Volatility Metrics**: Daily VIX values (if available via WRDS OptionMetrics) or computed realized volatility (e.g. 30-day rolling standard deviations).
* **Economic Policy Uncertainty (EPU)**: Public index merged as control variable to account for broader political uncertainty.

**Compromises**:

* **Frequency Limits**: Analysis is based on daily—not intraday—data. Immediate intraday spikes from tweets or announcements will be blurred into same-day aggregates.
* **Causality Attribution**: Without exact event timestamps aligned to market micro-moves, inference is correlational. Major macro shocks (e.g. COVID-19, financial crisis) may confound term-level comparisons. We will mitigate by excluding or controlling for crisis periods and focusing on volatility regimes.
* **Communication Data Absence**: WRDS does not include presidential tweet text or timestamped communications. Queries must rely on indirect proxies (e.g. periods with many tweets) or publicly available tweet logs, limiting precise event coding.
* **Sector Volatility Comparisons across Terms**: Sector indices aggregated from CRSP or Fama–French portfolios provide daily resolution but lack the granularity to trace within-day shocks.

**Data Strategy Summary**

| **Data Type** | **Ideal** | **Available via WRDS** | **Compromise** |
| --- | --- | --- | --- |
| Presidential events (communication) | Timestamped tweets & speeches | None quantitative; may supplement manually | Use historical counts/proxies; no full event dataset |
| Market pricing & volume (intraday) | Tick/minute data | Only daily CRSP/sector returns & volume | Must measure daily volatility spikes, not intraday |
| Volatility indices | Intraday VIX | Daily VIX or realized volatility | Only daily-level inference |
| Sector & asset-class breakdowns | Minute-level for multiple asset classes | Daily sector portfolios and volume | No intraday sector or cross-asset precision |
| Global market/presidential data | Data from multiple countries/leaders | U.S. data only via WRDS; may supplement globally | Limited international comparison |

**Preliminary Analysis Plan**

1. **Time-series plots** of daily volatility and volume by presidency (2000–2024), using daily VIX or realized volatility and volume, shading presidential terms.
2. **Summary statistics**: average volatility and volume metrics per term, cumulative extreme movement counts (e.g. days > ±2% returns), testing differences (t-tests).
3. **Sector comparisons**: calculate sector daily volatility and volume changes between presidential terms (e.g. tech vs. utilities), presenting percentage change and relative differences.
4. **Simplified event snapshots**: illustrate a few major known Trump's announcements (e.g., March 2018 tariffs) vs comparable prior events (e.g., 2008 policy shocks), plotting daily returns and volatility around those dates.

**Implications**

* Provides evidence whether Trump-era administration induced elevated volatility and trading volume compared to prior presidencies.
* Identifies sectors disproportionately impacted under Trump, enriching risk management and trading strategy insights.
* Establishes groundwork for political risk assessment tied to leadership communication style.
* Offers policymakers contextual evidence on how public messaging affects financial stability, supporting guidelines around market-sensitive communication.
* Informs investors on allocation strategies sensitive to political regime volatility regimes.