

# Do Elites Really Affect Financial Markets?

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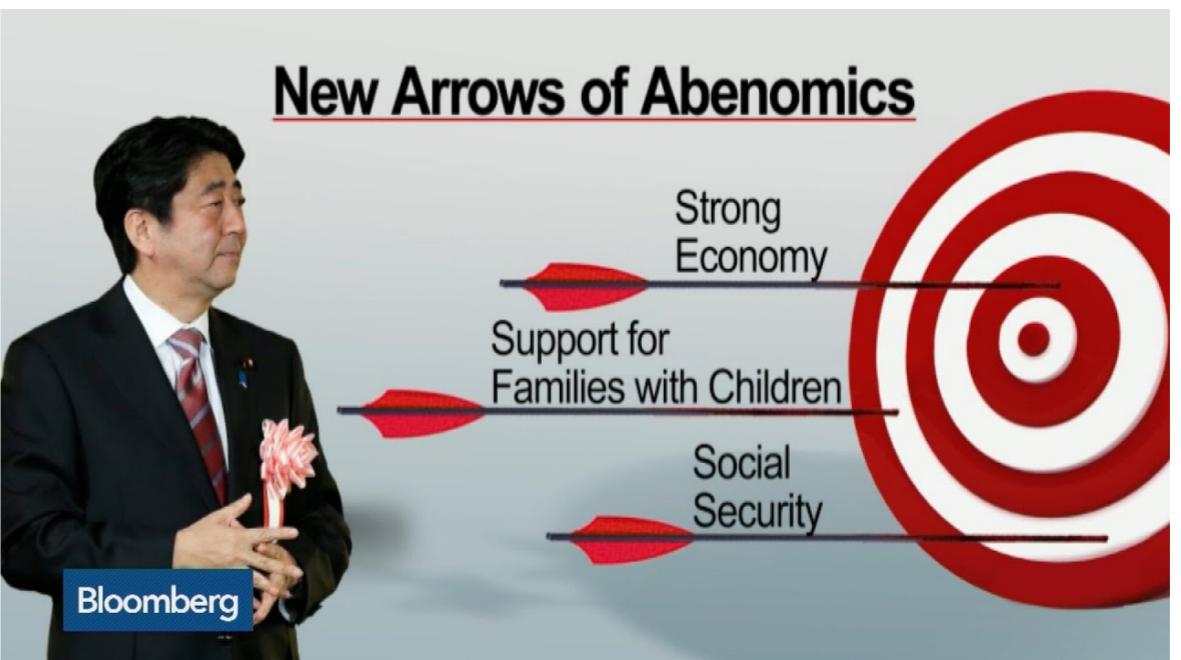


Joint work with Allyson L. Benton, City, University of London



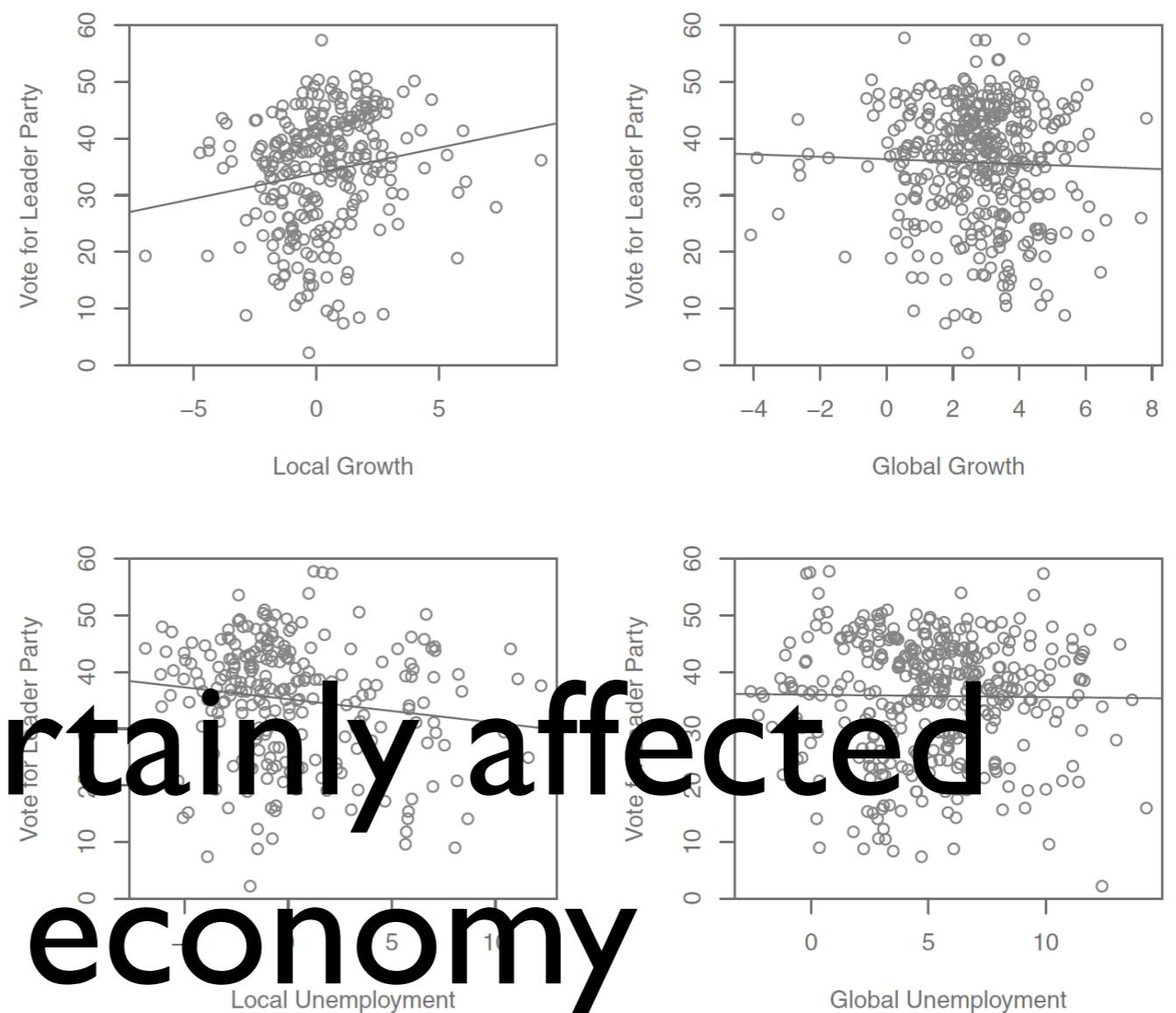


# Do elites matter to financial markets?



**FIGURE 1. Scatterplot of Economic Conditions and Vote for the Leader Party**

They are certainly affected  
by the economy



Kayser and Peress (2012)



And unexpected events can  
help or hurt them



**But can elites affect financial  
markets?**

# I. Elites' speech may send signals to markets



Donald J. Trump

@realDonaldTrump

Follow

Mexico is doing very little, if not NOTHING, at stopping people from flowing into Mexico through their Southern Border, and then into the U.S. They laugh at our dumb immigration laws. They must stop the big drug and people flows, or I will stop their cash cow, NAFTA. NEED WALL!

8:25 AM - 1 Apr 2018

30,755 Retweets 120,256 Likes



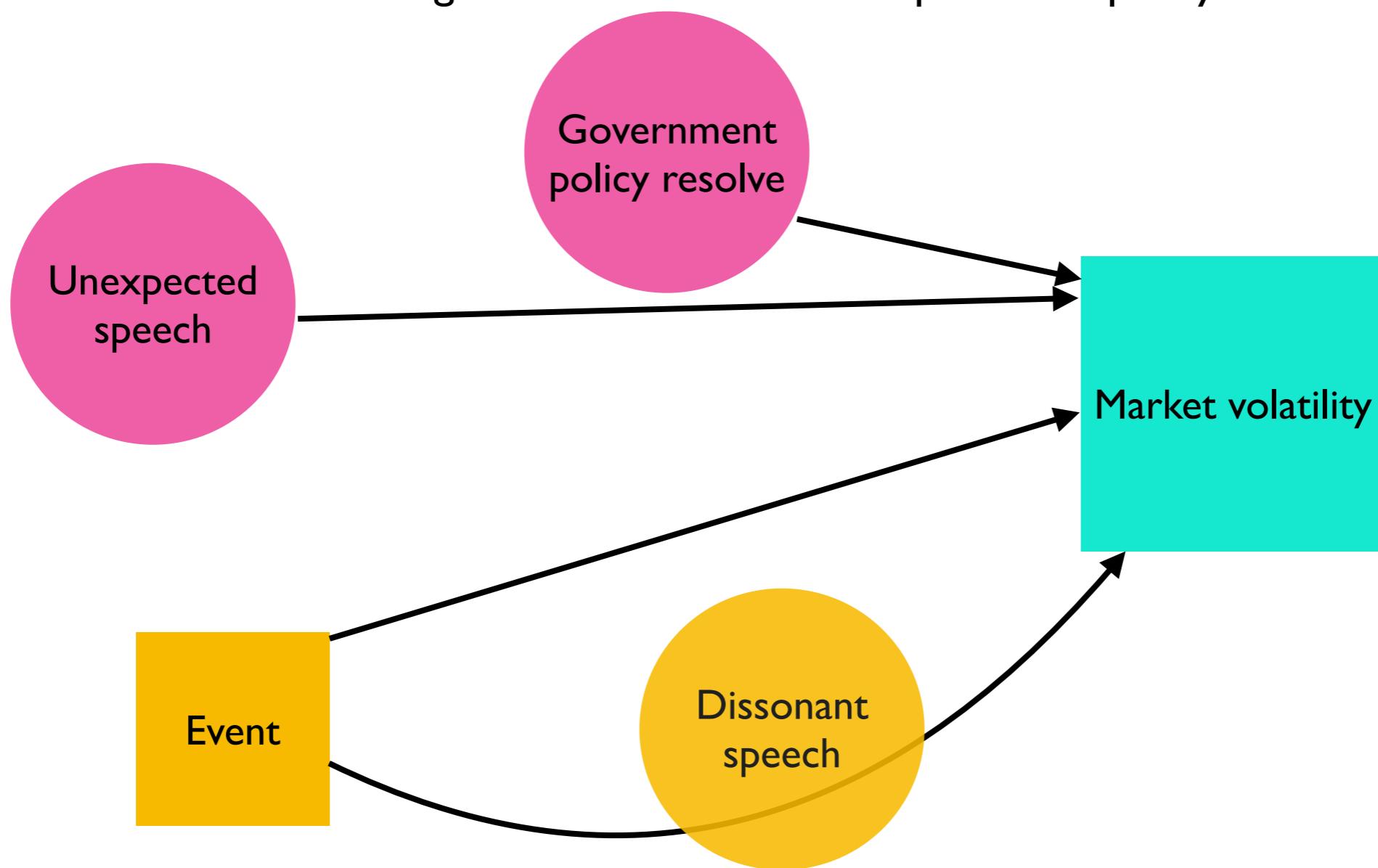
32K 31K 120K

## II. The response of elites to unexpected events may send signals to markets



# Our findings:

Speech by elites may not only affect markets when it is unexpected, it may continue to affect markets if it shows the government's *resolve* to a particular policy



Dissonant policy-related speech in response to a significant event can affect markets

# Part I. Elite speech and policy resolve sends signals to markets



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 ▾

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 32K  31K  120K 

# Some say Trump's tweets matter

News › World › Americas

**Toyota loses \$1.2bn in value five minutes after  
Donald Trump's tweet**



The Independent

Amazon stock market value falls by \$5bn after  
critical Trump tweet

**the guardian**

**Yuan, Taiwan Dollar Slip After Trump  
Tweets Criticism of China** The Wall Street Journal

# Others say they don't matter

Stop worrying about Trump's  
tweets

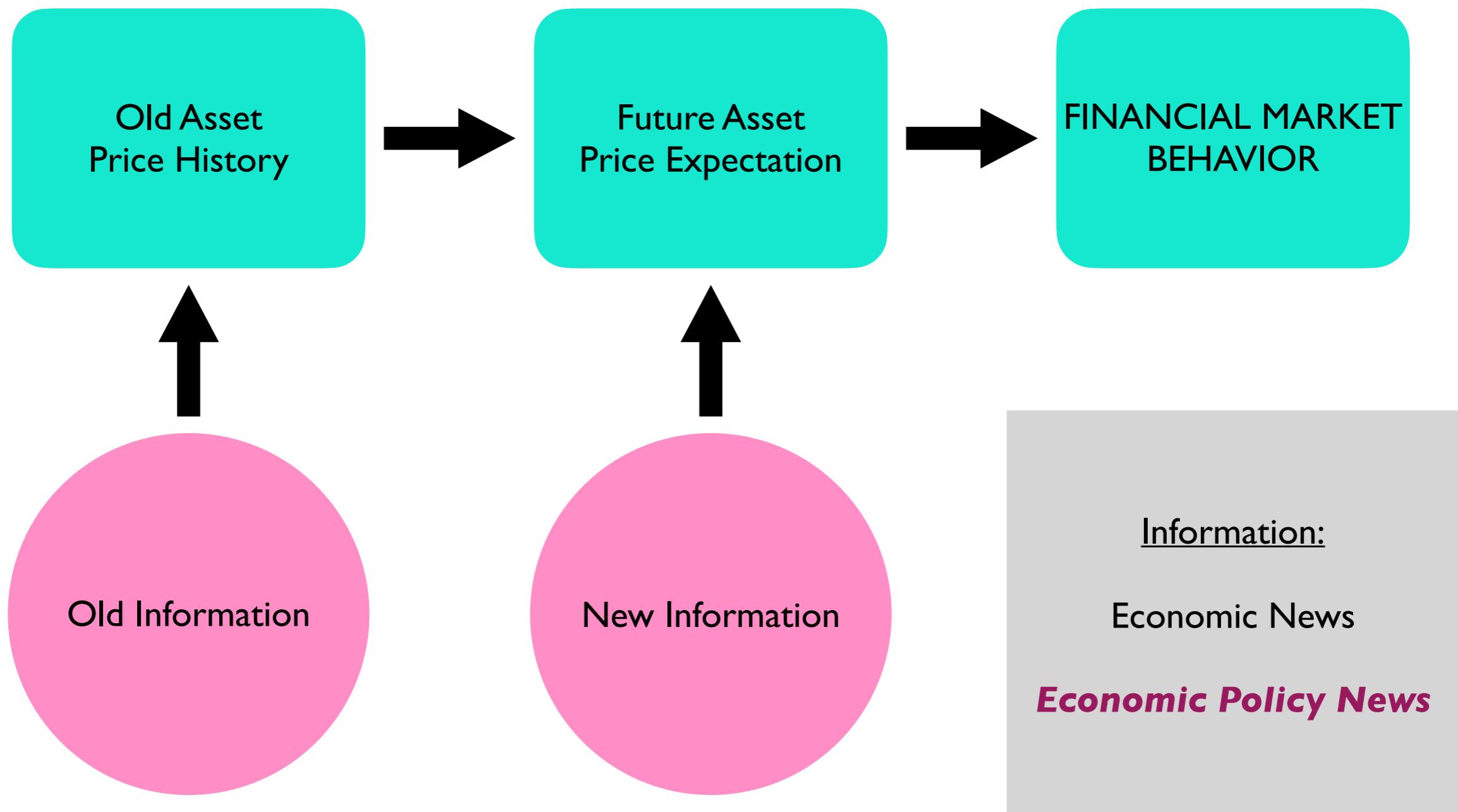
FINANCIAL TIMES

Trump's Tweets Aren't Stock Tips - Bloomberg Gadfly

Think a Negative Tweet From Trump  
Crushes a Stock? Think Again

The Wall Street Journal

# The efficient market hypothesis



# Political economy research

## - Election periods

Freeman, Hays and Stix (2000); Leblang and Mukherjee (2004, 2005); Bernhard and Leblang (2006); Leblang and Bernhard (2006); Goodell and Vähämaa (2013); Kelly, Pástor and Vernonesi (2016)

## - Election processes

Pantzalis, Stangeland and Turtle (2000); Bernhard and Leblang (2006); Fowler (2006); Białkowski, Gottschalk and Wisniewski (2008); Boutchkova et al. (2012); Frot and Santiso (2013); Bechtel (2009); Waisman, Ye and Zhu (2015); Garfinkel, Glazer and Lee (1999)

Election Period	Election Processs
Election	Winning
No Election	Losing

# This suggests...



# Political economy research

## - Examines Election Periods

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## - Examines Candidate Type

Bernhard and Leblang (2006); Jensen and Schmith (2005); Fowler (2006)

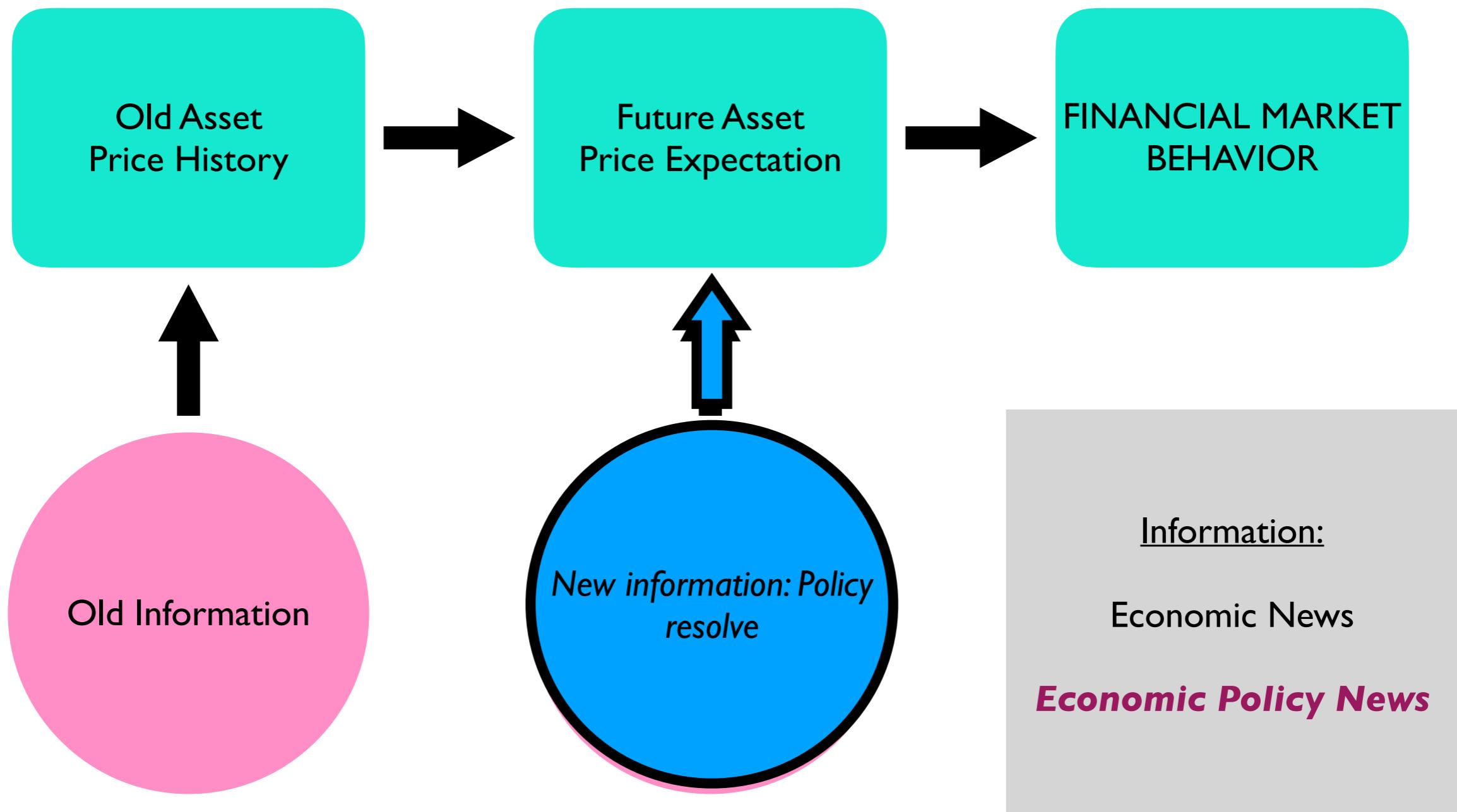
Election Period	Election Processs	Candidate Type
Election	Winning	Known
	Losing	Unknown
No Election		

# Our theoretical innovation: Candidate policy resolve

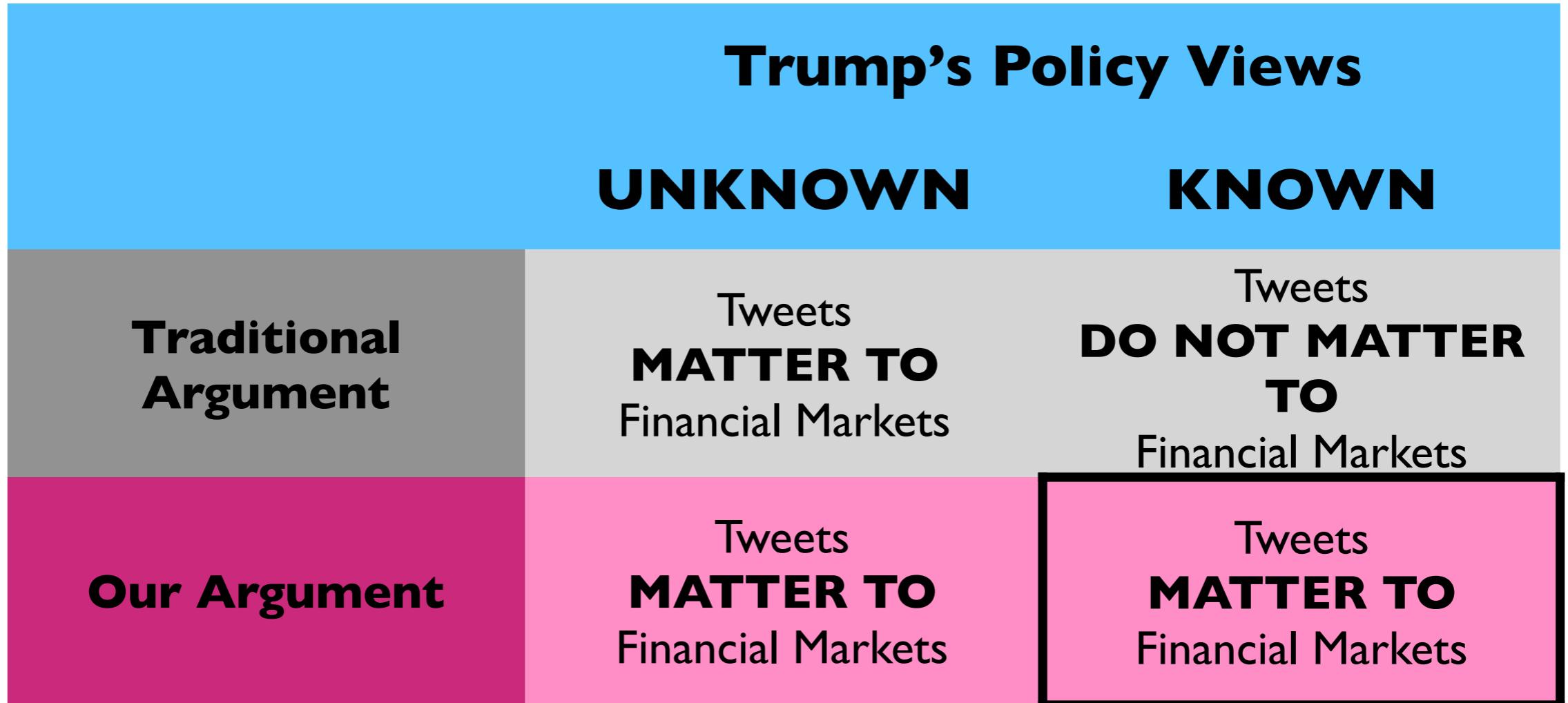
**Trump's tweets signal policy resolve**

Election Period	Election Processs	Candidate Type	New Info About Commitment
Election	Winning	Known	Known
		Unknown	Better Known
	Losing		
No Election			

# The efficient market hypothesis, updated



# We expect...



# EMPIRICAL STRATEGY: Trump's tweets and the USD/MXN

Mexico: Peso, Stocks Sink On 'Unsettling' Trump  
Remarks

BARRON'S

**Some Peso Traders Want Mexico to Buy Twitter and Shut It Down**

Bloomberg

Mexican central banker says Trump's  
tweets modified peso strategy



REUTERS

# Trump's Mexico policies were known from 16 June 2015

## **On IMMIGRATION:**

- “When Mexico sends its people, they are not sending their best...I will... terminate President Obama's illegal executive order on immigration”
- “I will build a great, great wall on our southern border. And I will have Mexico pay for that wall”

## **On NAFTA:**

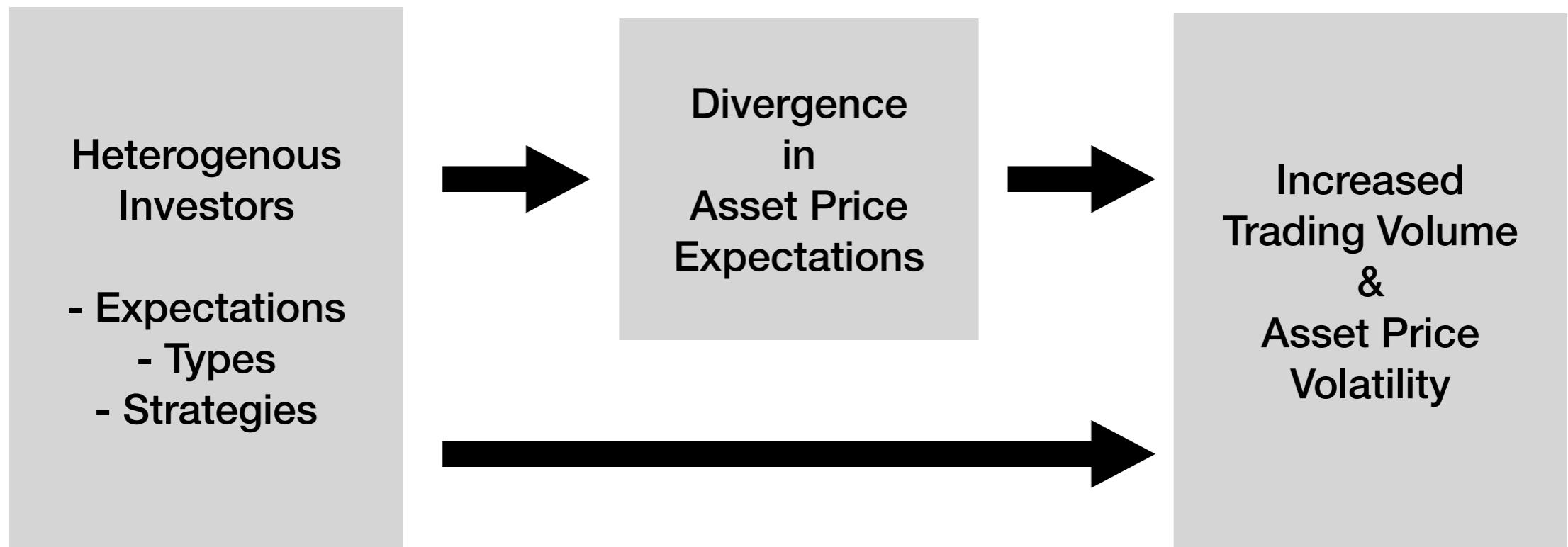
- “I'll bring back our jobs from...Mexico”
- “I intend to immediately renegotiate... If they do not agree...I will submit notice...to withdraw from the deal”

# Empirical Expectations

	<b>Pre-Primary Candidate</b>	<b>Primary Candidate</b>	<b>GOP Nominee</b>	<b>Lame Duck</b>	<b>POTUS</b>
	<b>1 Jan. 2015 - 16 June 2016</b>	<b>16 June 2015 - 19 July 2016</b>	<b>19 July 2016 - 7(8) Nov. 2016</b>	<b>7(8) Nov. 2016 - 20 Jan. 2016</b>	<b>20 Jan. 2016 - present</b>
<b>The “Other” Argument</b>	Raise Peso Volatility	No Effect	No Effect	No Effect	No Effect
<b>Our Argument</b>	Raise Peso Volatility	Raise Peso Volatility	Raise Peso Volatility	Raise Peso Volatility	Raise Peso Volatility

# Why volatility?

- Hard to predict currency price levels
- Can predict currency price volatility



# The Data

## **Main Variables:**

**DV:** % change daily USD/MXN exchange rate

**IV:** Trump's Mexico-related tweets (Dummy and Number)

## ***Time Period: 1 January 2015 to 2 February 2018***

**Pre-Primary Candidate:** 1 January 2015 - 16 June 2015

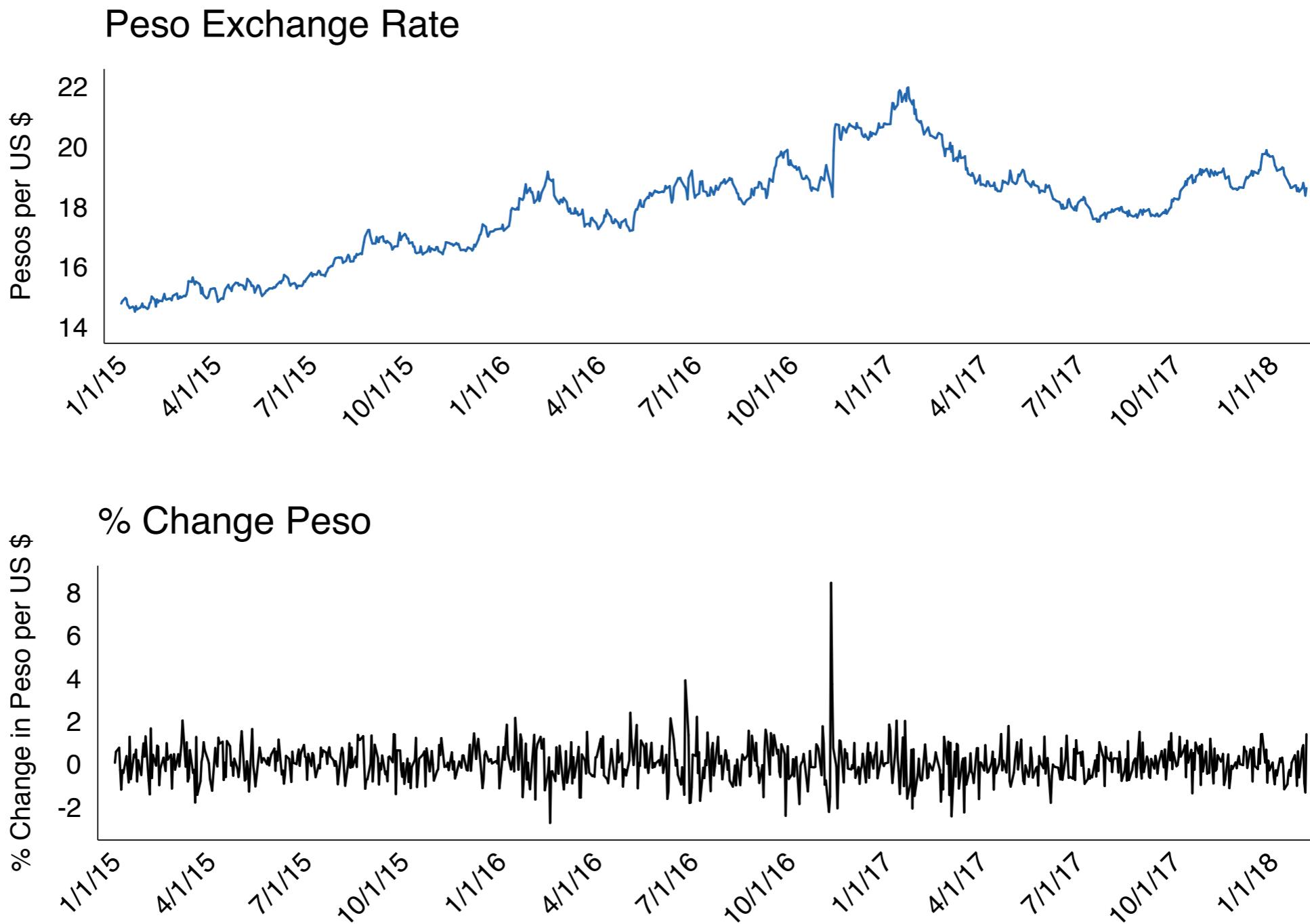
**Primary Candidate:** 16 June 2015 - 19 July 2016

**GOP Nominee:** 19 July 2016 - 7(8) November 2016

**Lame Duck:** 8 November 2016 - 20 January 2017

**President:** 20 January 2017 - 2 February 2018

# USD/MXN exchange rate



# Mexico-related tweets

All Tweets  
(Jan 2015 - Feb 2018)



Donald J. Trump @realDonaldTrump · 26 Oct 2017  
Do not underestimate the UNITY within the Republican Party!

18K 13K 70K



Donald J. Trump @realDonaldTrump · 27 Oct 2017  
JFK Files are being carefully released. In the end there will be great transparency.  
It is my hope to get just about everything to public!

20K 20K 97K



Donald J. Trump @realDonaldTrump · 28 Oct 2017  
Very little reporting about the GREAT GDP numbers announced yesterday (3.0  
despite the big hurricane hits). Best consecutive Q's in years!

15K 21K 90K

14500 tweets (13/day)

Tweets containing “trade,”  
“NAFTA,” “Mexico,” “wall”...

“we need a wall not a Rubio”

“many hispanics agree with [] on  
enforcing the border trump for  
president”

“what u really should b angry abt is  
the invasion of millions of illegals tking  
over america not donaldtrump”

697 potential tweets

438 Mexico-Related Tweets

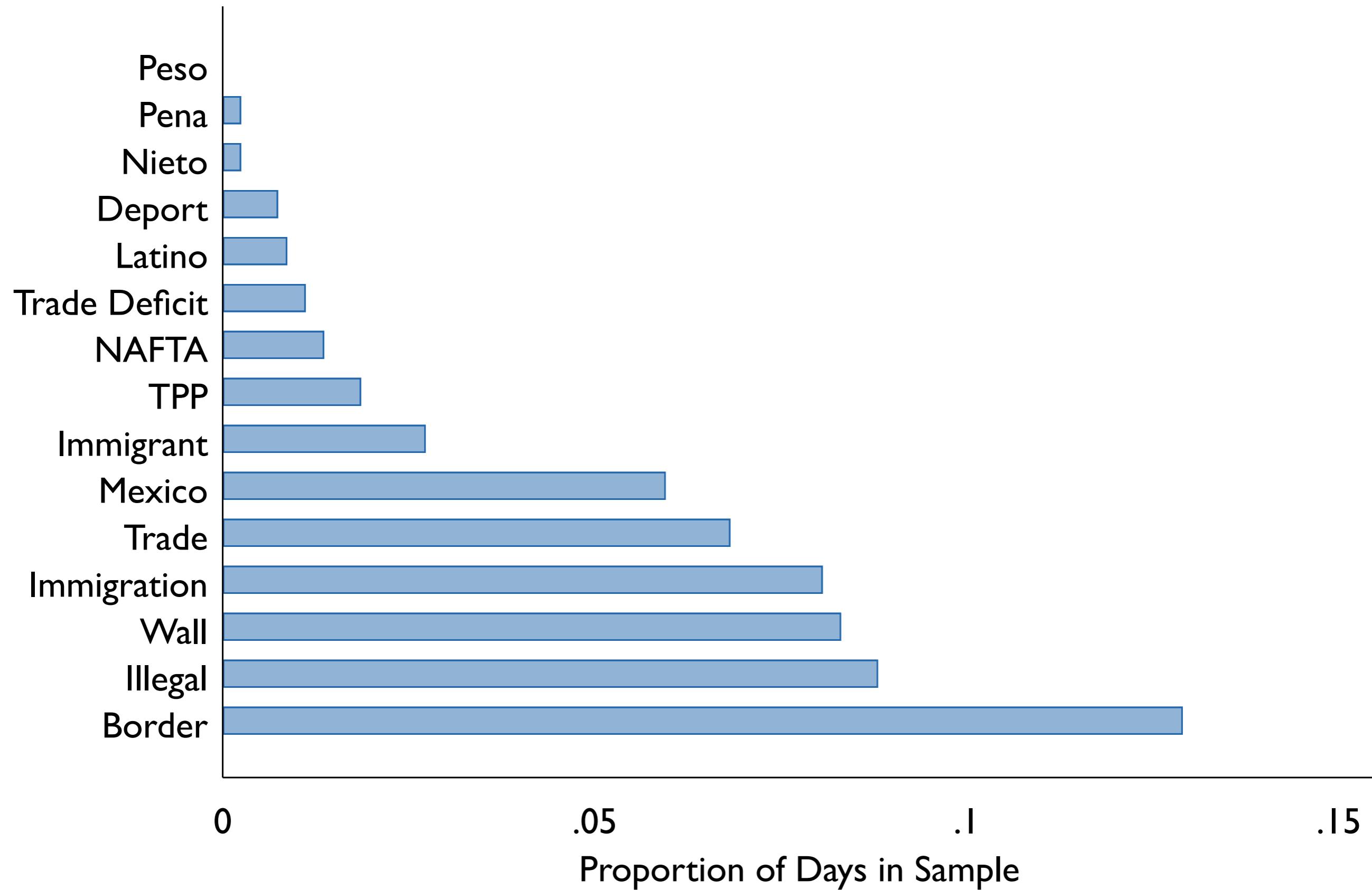
Over 239 Days

(T = 804 Days)

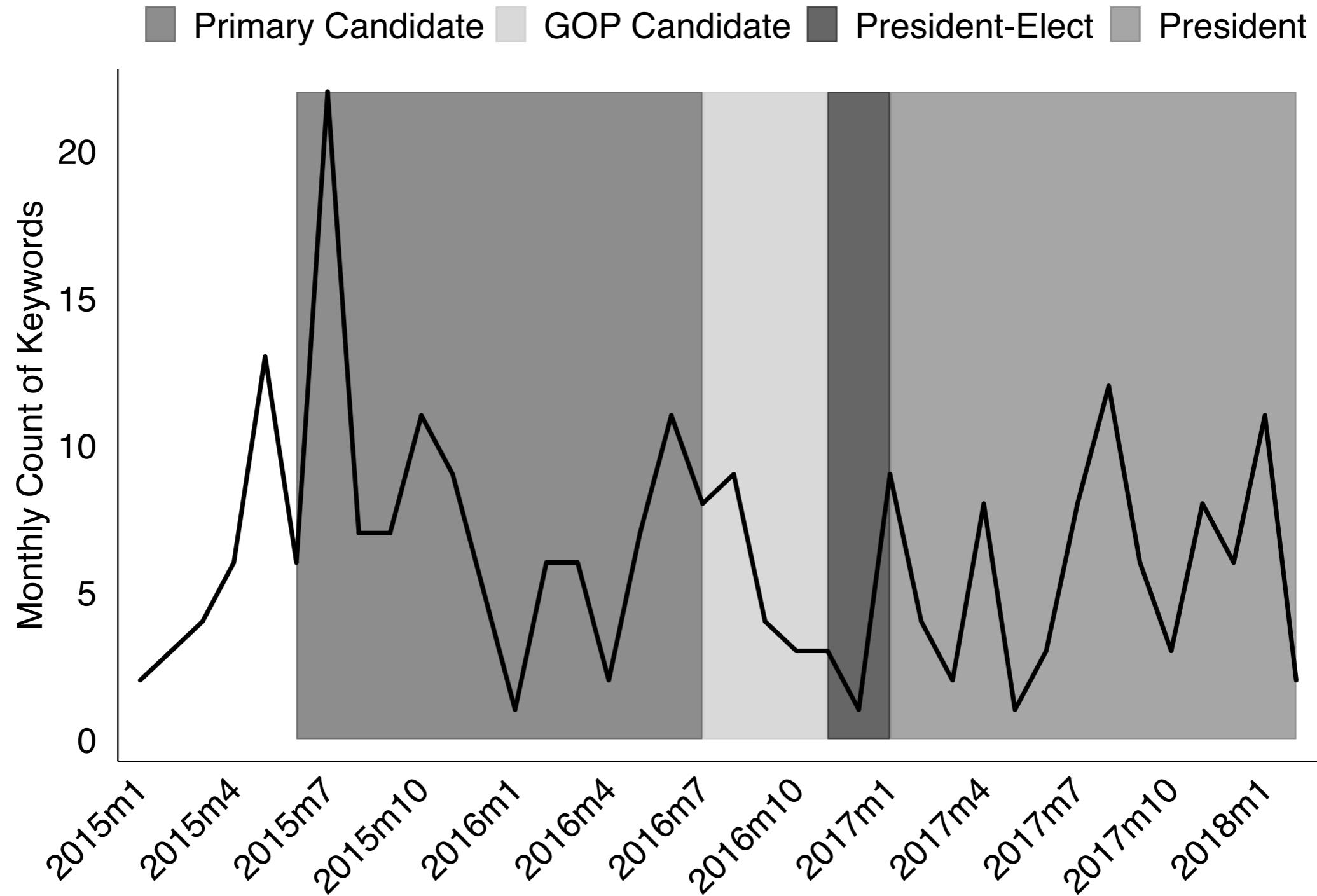
Remove misclassified tweets

“the **wall** street journal stated falsely that i said to them  
i have a good relationship with kim jong un of n  
korea...”

# Proportion of Days with Tweet Containing:



# Mexico-related tweets

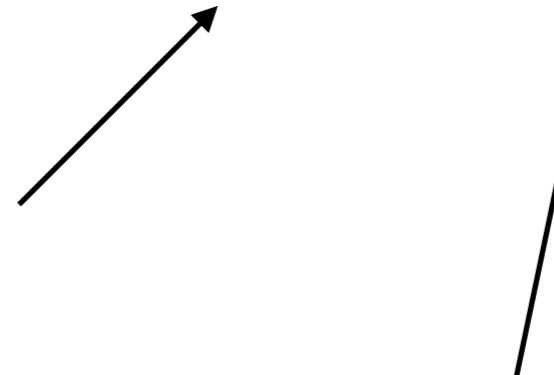


# Modeling strategy

Generalized Autoregressive  
Conditional Heteroskedasticity  
(GARCH) Models

$$\text{Pct. Peso}_t = \beta_0 + \phi \text{Pct. Peso}_{t-1} + \mathbf{x}\boldsymbol{\beta} + \varepsilon_t + \psi \sigma_{t-1}^2$$

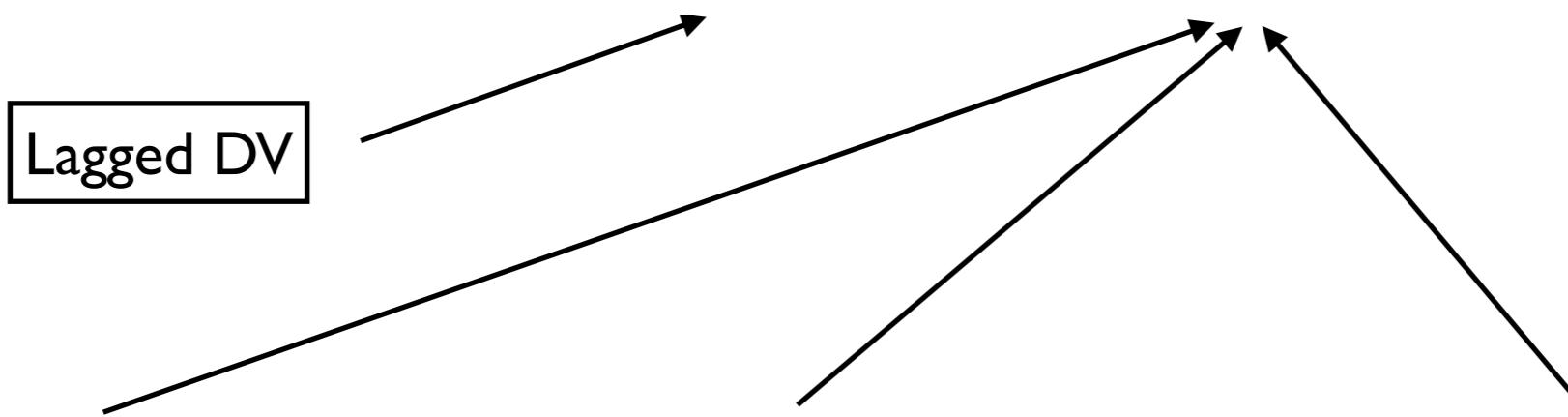
Mean Equation:  
Modeling Level



Variance Equation:  
Modeling Volatility

# Mean Equation

$$\text{Pct. Peso}_t = \beta_0 + \phi \text{Pct. Peso}_{t-1} + x\beta + \epsilon_t + \psi \sigma_{t-1}^2$$



## Econ/Finance Controls

S&P 500 Stock market index  
US-Mex bond spread  
Chg. US-Mex interest rate spread  
Chg. Banxico reserves  
Banxico interventions

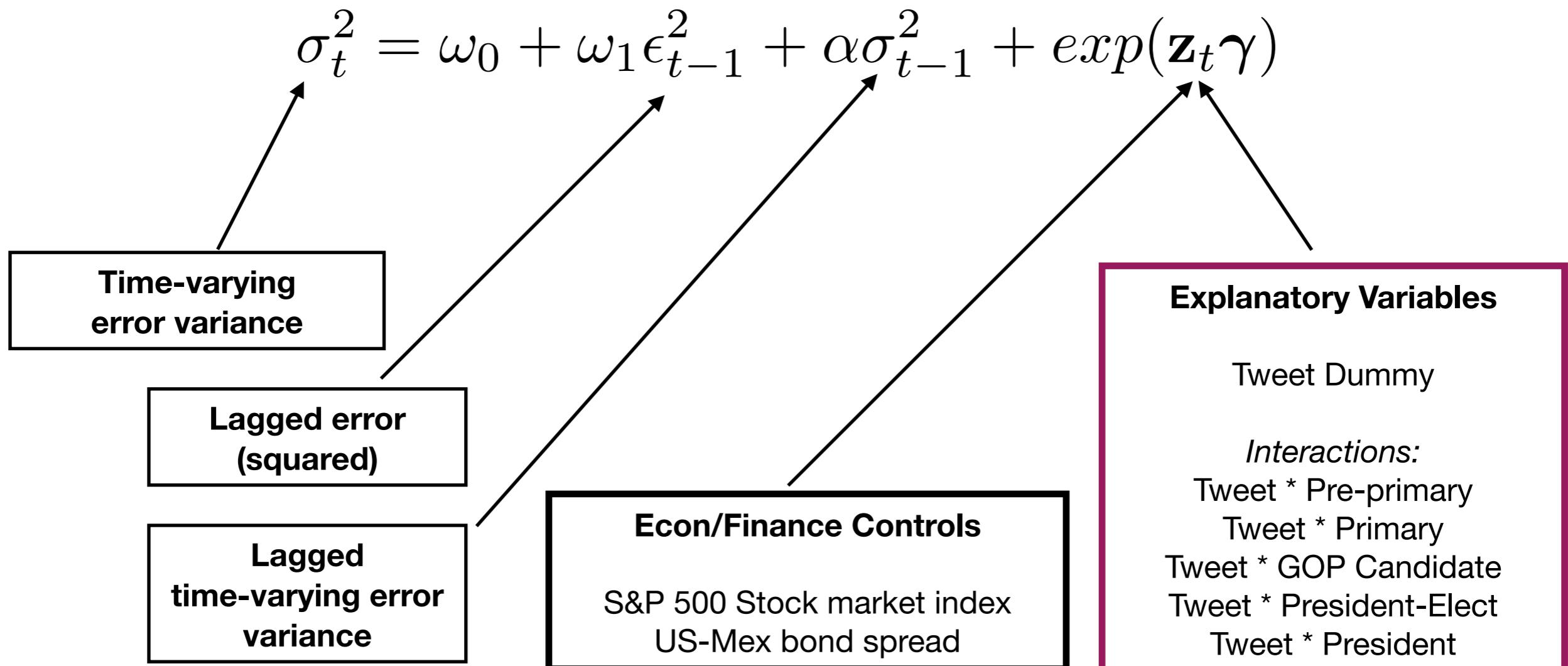
## Political Controls

*Election Period Dummies:*  
(Pre-primary)  
Primary Candidate  
GOP nominee  
President-Elect  
President  
  
US Presidential Election  
NAFTA Rounds

## Explanatory Variables

Tweet Dummy  
  
*Interactions:*  
Tweet \* Pre-primary  
Tweet \* Primary  
Tweet \* GOP Candidate  
Tweet \* President-Elect  
Tweet \* President

# Variance equation



# Two Sets of Results

## Mean Equation

	(1)	(2)	(3)	(4)
<b>Mean Equation</b>				
Pct. Peso <sub>t-1</sub>	0.036 (0.039)	0.013 (0.043)	0.006 (0.040)	0.007 (0.039)
Tweet Dummy <sub>t</sub>	0.012 (0.062)	-0.001 (0.059)	-0.023 (0.058)	
S&P 500 <sub>t-1</sub>	0.078* (0.041)	0.060 (0.043)	0.064 (0.044)	0.065 (0.043)
Bond Spread <sub>t-1</sub>	0.045* (0.023)	0.034 (0.023)	0.030 (0.023)	0.028 (0.023)
$\Delta \ln(\text{Banxico US\$ Stock}_t)$	17.948 (17.842)	11.572 (16.271)	12.695 (16.615)	11.320 (16.715)
$\Delta$ Overnight Rate Difference <sub>t</sub>	-1.095* (0.580)	-1.269** (0.590)	-1.277** (0.615)	-1.278** (0.625)
Banxico US\\$ Sales <sub>t</sub>	0.162** (0.069)	0.106* (0.064)	0.079 (0.065)	0.064 (0.066)
US Presidential Election <sub>t</sub>	-1.558* (0.797)	-1.548 (2.265)	-1.563 (1.072)	-1.518 (1.099)
US Presidential Election <sub>t-1</sub>	8.398*** (0.798)	9.722*** (1.283)	8.389*** (1.169)	8.471*** (1.196)
Trump Primary Candidate <sub>t</sub>	0.055 (0.088)	0.046 (0.080)	0.062 (0.089)	0.010 (0.107)
Trump GOP Nominee <sub>t</sub>	0.089 (0.121)	0.033 (0.123)	0.102 (0.151)	0.096 (0.170)
President-Elect <sub>t</sub>	0.203 (0.137)	0.187 (0.133)	0.266 (0.182)	0.197 (0.175)
Trump Presidency <sub>t</sub>	-0.035 (0.092)	-0.067 (0.083)	-0.109 (0.089)	-0.085 (0.110)
NAFTA Rounds <sub>t</sub>	0.169 (0.188)	0.168 (0.161)	0.202 (0.153)	0.223 (0.153)
Tweet Dummy <sub>t</sub> × Pre-Candidate <sub>t</sub>				-0.061 (0.156)
Tweet Dummy <sub>t</sub> × Primary Candidate <sub>t</sub>				0.072 (0.094)
Tweet Dummy <sub>t</sub> × GOP Nominee <sub>t</sub>				0.144 (0.217)
Tweet Dummy <sub>t</sub> × President-Elect <sub>t</sub>				0.401 (0.368)
Tweet Dummy <sub>t</sub> × Presidency <sub>t</sub>				-0.156* (0.091)
Constant	-0.064 (0.083)	0.137 (0.125)	0.256 (0.157)	0.294* (0.176)
ARCH-in-Mean <sub>t-1</sub>		-0.272 (0.196)	-0.441* (0.255)	-0.482* (0.268)
<b>Variance Equation</b>				
ARCH(1)		0.099*** (0.033)	0.055** (0.026)	0.046* (0.025)
GARCH(1)		0.754*** (0.071)	0.822*** (0.058)	0.840*** (0.051)
Tweet Dummy <sub>t</sub>			-0.340 (0.512)	
Trump Primary Candidate <sub>t</sub>			0.030 (0.228)	
Trump GOP Nominee <sub>t</sub>			0.415 (0.281)	
President-Elect <sub>t</sub>			0.119 (0.382)	
Trump Presidency <sub>t</sub>			-0.085 (0.220)	
Tweet Dummy <sub>t</sub> × Pre-Candidate <sub>t</sub>				-0.333 (0.969)
Tweet Dummy <sub>t</sub> × Primary Candidate <sub>t</sub>				-0.436 (0.683)
Tweet Dummy <sub>t</sub> × GOP Nominee <sub>t</sub>				0.972** (0.431)
Tweet Dummy <sub>t</sub> × President-Elect <sub>t</sub>				1.088* (0.617)
Tweet Dummy <sub>t</sub> × Presidency <sub>t</sub>				-0.594 (0.576)
S&P 500 <sub>t-1</sub>			-0.294 (0.234)	-0.422** (0.166)
Bond Spread <sub>t-1</sub>			0.332*** (0.088)	0.335*** (0.076)
Constant		0.091*** (0.032)	-2.706*** (0.430)	-2.848*** (0.410)
N	804	804	804	804
AIC	1910.45	1894.20	1891.23	1889.09
Ljung Box-Q of $\frac{\varepsilon_t}{h_t}$	—	0.601	0.543	0.624
Ljung Box-Q of $(\frac{\varepsilon_t}{h_t})^2$	—	0.060	0.225	0.744

## Variance Equation

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# Interpreting the Variance Equation Results

**Régressors that affect volatility do so non-linearly**

$$\sigma_t^2 = \omega_0 + \omega_1 \epsilon_{t-1}^2 + \alpha \sigma_{t-1}^2 + \boxed{\exp(\mathbf{z}_t \boldsymbol{\gamma})}$$

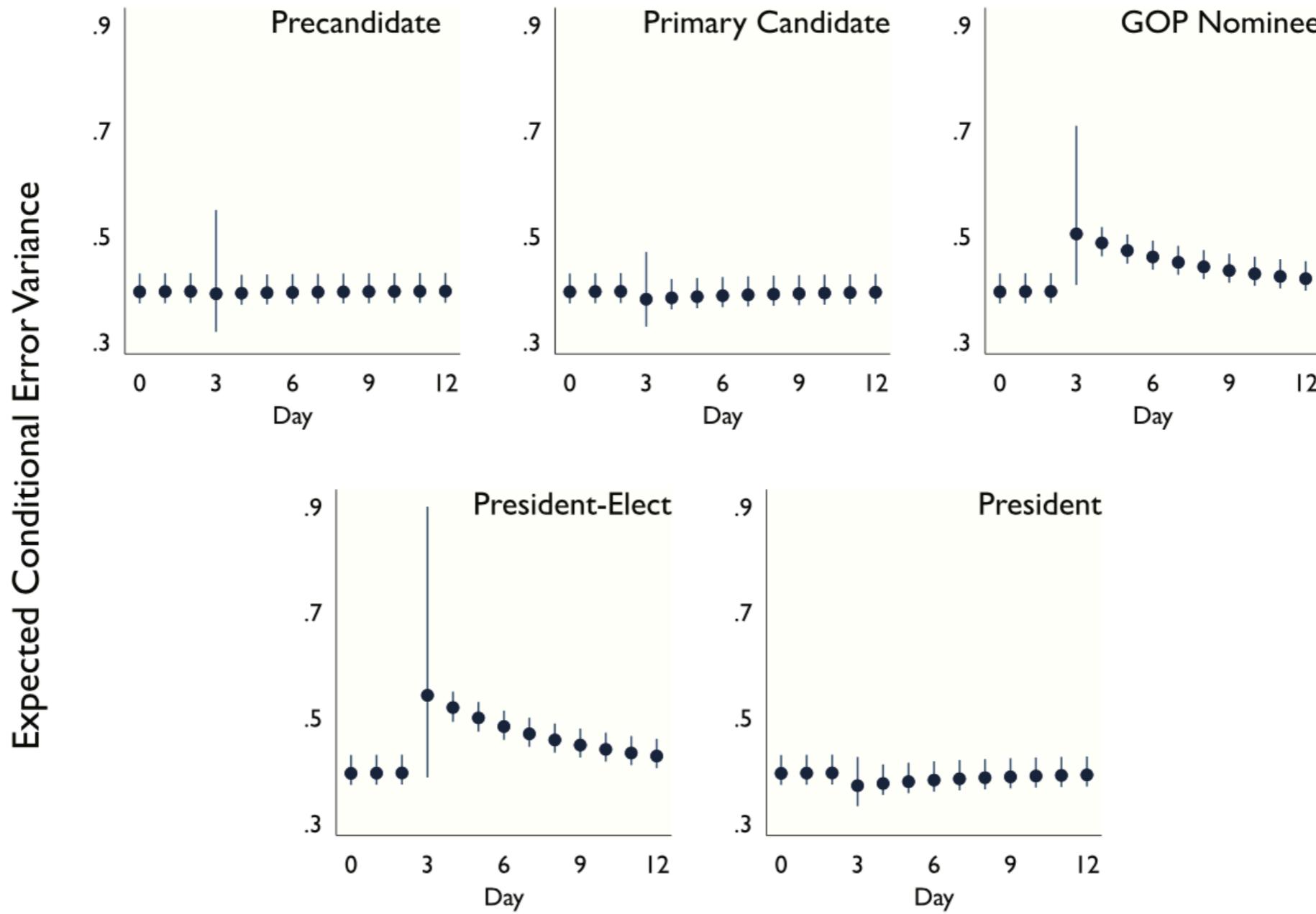
**Stochastic simulation of conditional error variance over time**

6,000 simulated predictions

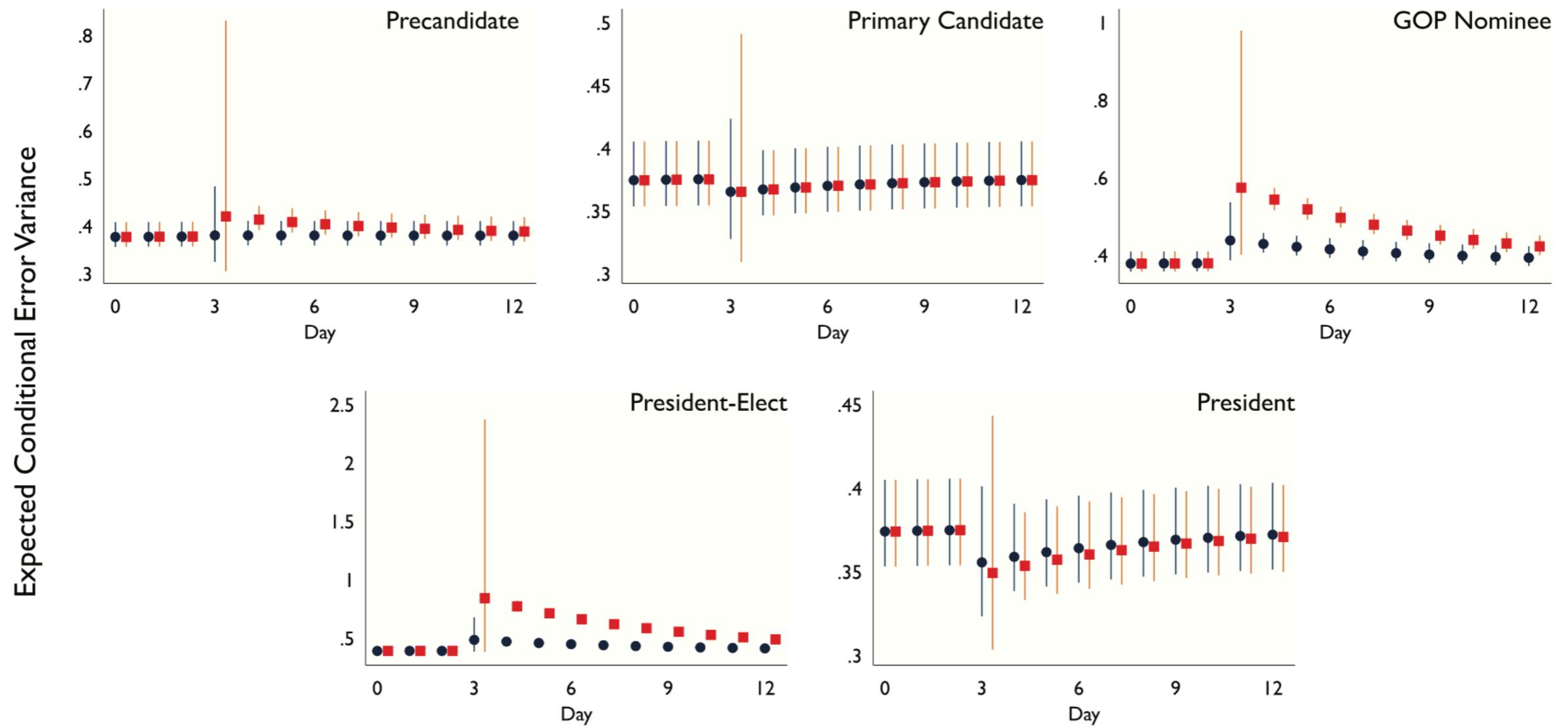
Hold continuous variables at means; dummies at zero

Mexico-Related tweet occurs on day 3

# Mexico-Related Tweet Dummy by Election Period

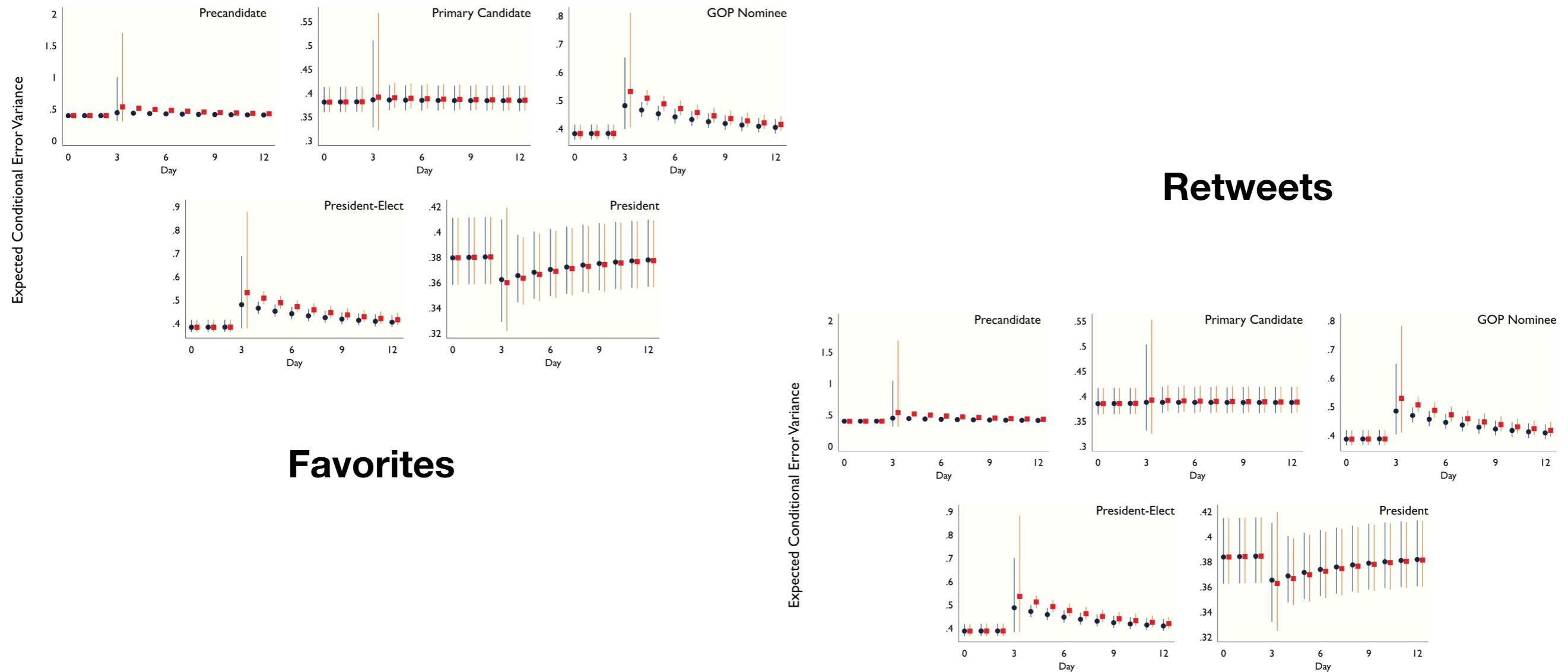


# Mexico-Related Tweet Intensity by Election Period



Note: Expected means are shown with 95% confidence intervals. Blue circles indicate 1 tweet; red squares indicate 2+ tweets. Tweet occurs at  $t = 3$ . Time is slightly staggered for clarity.

# Mexico-Related Retweets & Favorites



**Note:** Blue = tweet with average number of retweets/favorites;  
Red = tweets with retweets/favorites in 90% percentile

# Predictions vs. Findings

PREDICTIONS	Pre-Primary	Primary Candidate	GOP Nominee	President-Elect	President
	1 Jan. 2015 - 16 June 2016	16 June 2015 - 19 July 2016	19 July 2016 - 7(8) Nov. 2016	7(8) Nov. 2016 - 20 Jan. 2016	20 Jan. 2016 - present
The “Other” Argument	Affect Peso Volatility	No Effect	No Effect	No Effect	No Effect
Our Argument	Affect Peso Volatility	Affect Peso Volatility	Affect Peso Volatility	Affect Peso Volatility	Affect Peso Volatility
FINDINGS					
Tweet Dummy	No Effect	No Effect	<b>Affect Peso Volatility</b>	<b>Affect Peso Volatility</b>	No Effect
Tweet Intensity	<b>Affect Peso Volatility</b>	No Effect	<b>Affect Peso Volatility</b>	<b>Affect Peso Volatility</b>	No Effect
Favorites	<b>Affect Peso Volatility</b>	No Effect	<b>Affect Peso Volatility</b>	<b>Affect Peso Volatility</b>	No Effect
Retweets	<b>Affect Peso Volatility</b>	No Effect	<b>Affect Peso Volatility</b>	<b>Affect Peso Volatility</b>	No Effect

We've found that policy resolve affects markets. But how else might policy matter?

## Part II. The response of elites to unexpected events



# What we noticed



**Boris Johnson's coronavirus optimism hits testing reality**

The British prime minister is making bold promises that aren't being delivered.

By CHARLIE COOPER | 9/15/20, 10:05 PM CET | Updated 9/16/20, 9:34 PM CET

**Economy will come 'roaring back' after coronavirus, vows Boris Johnson as billions lost on markets**

News > UK

# Coronavirus: Brazil's Bolsonaro in denial and out on a limb

By Katy Watson  
BBC South America correspondent

© 29 March

Coronavirus pandemic

## Bolsonaro's coronavirus denial could sink the Brazilian economy

The country could face yet another debt-caused currency crisis, with global ripple effects.



President Jair Bolsonaro has previously accused the media of "fear-mongering" over coronavirus

As the world tries desperately to tackle the coronavirus pandemic, Brazil's president is doing his best to downplay it.

CORONAVIRUS

# STOCK MARKETS CRASH AS TRUMP INSISTS CORONAVIRUS FEARS ARE “FAKE NEWS”

The Dow Jones fell 1,700 points and counting. The president remains in an alternative reality.



BY BESS LEVIN  
MARCH 9, 2020





Unite  
against  
COVID-19

7

★

## Germany to extend COVID restrictions until January 10 - Merkel

By Reuters Staff

1 MIN READ



CANADA

## Trudeau urges Canadians to stay home as Covid-19 surges

New projections show the country could see 20,000 cases daily if Canadians don't reduce their contacts.

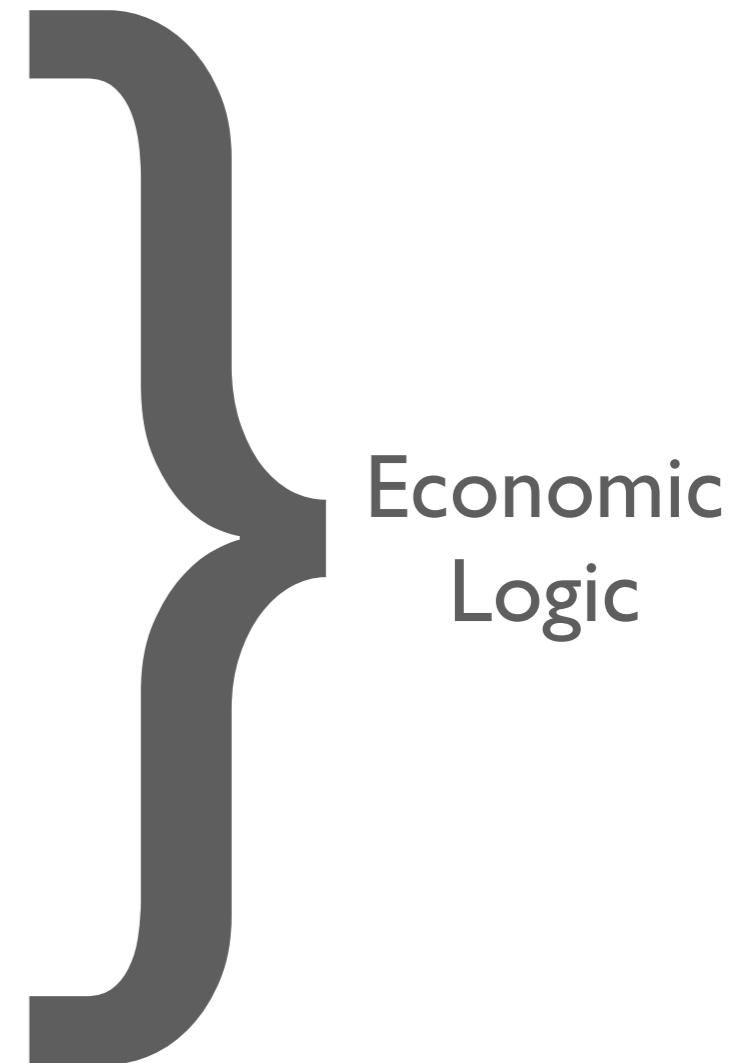


Prime Minister Justin Trudeau speaks to the media Friday outside Rideau Cottage in Ottawa, the first time he's addressed the press from his residence since the countrywide lockdown last spring. | Adrian Wyld/The Canadian Press via AP

# What we know

- **Major violent events —>**

- Human/physical capital losses —>
  - Costs/patterns/levels of business —>
    - Individual/firm consumption and investment —>
      - Macro-economic prospects of nations —>
        - Investor views about their assets—>
          - **Market losses, market volatility**



# This has been used to explain

- Military Attacks —> Financial Market Losses and Volatility
- Terrorist Attacks —> Financial Market Losses and Volatility
- Natural Disasters/Weather —> Financial Market Losses and Volatility

# What we suspect

Government policy responses  
to major violent events  
should also matter to investors

- Governments can
  - Respond coherently to events
    - Moderate, contain, and shorten the economic impact of events
  - Respond incoherently to events
    - Aggravate, widen, and prolong the economic impact of events

# What is the Causal Link?

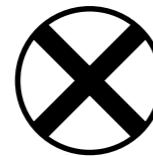


# Where We Looked 1

## Cognitive Dissonance Theory

- People can face conflict between “cognitions”

Attitudes  
or  
Beliefs



Actions  
or  
Behavior



Knowledge  
or  
Information

**People seek to adjust dissonant  
cognitions**

# Where We Looked 1

## Applied to Politicians

- Politicians Can Face Dissonance Between Policy Cognitions

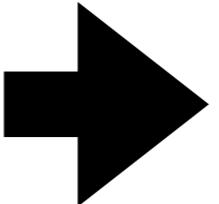


Politicians Will Seek to Adjust Dissonant  
Cognitions

This Creates Policy Uncertainty

# The First Step

Government  
Policy  
Dissonance



Policy  
Uncertainty

# **Where We Looked 2**

## **Politics and Financial Markets**

- Research shows that policy uncertainty rattles financial markets



**Cause Financial Market Losses and  
Volatility**

# The Full Causal Process



# What We Argue

- **Government Policy Dissonance —>**
  - Raises the chance of shifts in govt policy attitudes or policy actions —>
    - **Raises investor uncertainty about future govt policy choices —>**
      - Aggravates investor concerns about economic impact of the event —>
        - **Raises financial market losses and volatility**

# **What We Examine**

## **President Donald Trump's Covid Policy Responses**

- Holds structural political and financial characteristics constant
- Covid-19 pandemic is exogenous to financial market dynamics
- Trump regularly expressed Covid-19 policy attitudes
- Government and agencies regularly announced Covid-19 policy actions/recommendations
- Agencies regularly reported Covid-19 information
- Anecdotal evidence of regular dissonance across attitudes–actions–information

# The data

## News



ALL NEWS    REMARKS    ARTICLES    PRESIDENTIAL ACTIONS    BRIEFINGS & STATEMENTS

FILTER BY ISSUE

PRESIDENTIAL MEMORANDA

Memorandum on Extension of Governors' Use of the National Guard to Respond to COVID-19 and to Facilitate Economic Recovery

ECONOMY & JOBS | Dec 3, 2020

NOMINATIONS & APPOINTMENTS

President Donald J. Trump Announces Intent to Appoint the Following Individuals to Key Administration Posts

Dec 3, 2020

Webscraped all 2020 speeches (1,500), remarks, announcements from [whitehouse.gov](https://whitehouse.gov)



Split into paragraphs (86,592)



ID Trump's remarks (separate out press, First Lady,...) →

**August 31 Press Briefing Remarks:**  
Let me begin with a brief update on the **China virus**. Over the last month, our new **cases** in the United States have declined by 38 percent. Last week, we announced a breakthrough in **testing** that will allow us to have over 150 million rapid, point-of-care **tests**...



Run text through Covid dictionary  
(source: Canada Health Ministry, Oxford monthly corpus). About 210 terms

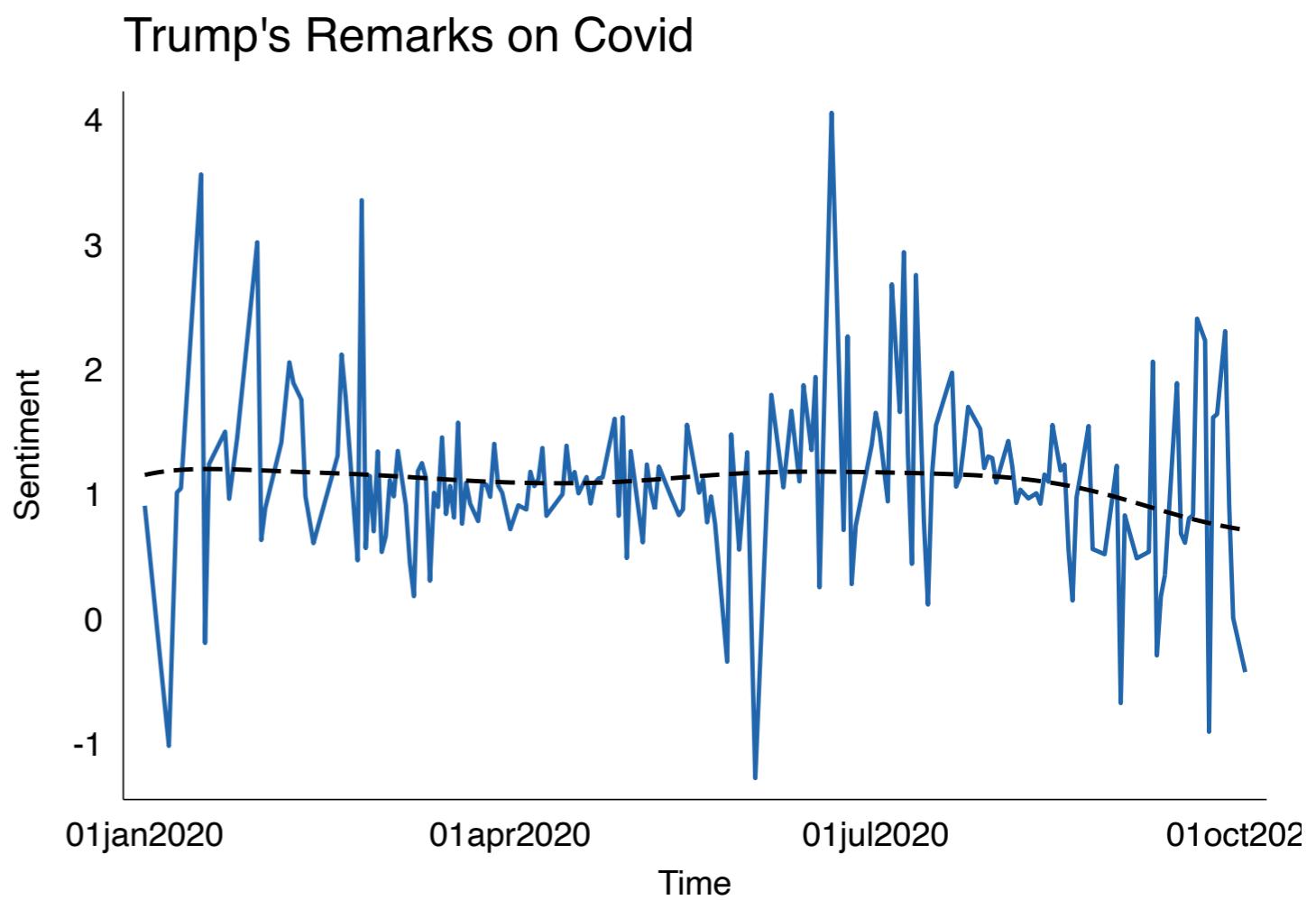
```
str_detect(speeches.subset$split, "china virus") == TRUE |  
str_detect(speeches.subset$split, "clinical") == TRUE |  
str_detect(speeches.subset$split, "close contact") == TRUE |  
str_detect(speeches.subset$split, "cluster site") == TRUE |  
str_detect(speeches.subset$split, "cold zone") == TRUE |  
str_detect(speeches.subset$split, "communicable period") == TRUE |  
str_detect(speeches.subset$split, "community spread") == TRUE |  
str_detect(speeches.subset$split, "confirmed case") == TRUE |  
str_detect(speeches.subset$split, "contact follow-up") == TRUE |  
str_detect(speeches.subset$split, "contact identification") == TRUE
```

# The data

Obtain the sentiment of any tagged text using syuzhet (Jockers, lexicon from Nebraska Literary Lab). Keep valence shifters: e.g. “bad” vs. “not bad” vs. “very bad”



Create daily average of sentiment for all Covid-related speech. + = more positive, - = more negative



# The dissonance measures

## Trump dissonant to Trump



Daily change in covid-related sentiment

## Trump dissonant to others



Covid sentiment +/- relative to Mike Pence's



Is Covid sentiment +/- relative to econ sentiment



Covid sentiment +/- relative to Kayleigh McEnany's

Examine both direction (is sentiment +/- relative to benchmark?) as well as absolute value (does dissonance, not direction, matter?)

# The model

GARCH(1,1), with dissonance measures in the mean and variance equations

$$\text{Fin. Indicator}_t = \beta_0 + \text{Fin. Indicator}_{t-1} + \beta_1 \text{Dissonance}_t + \beta_2 \Delta \text{Deaths}_t + \beta_3 \Delta \text{Cases}_t + \epsilon_t + \Psi \sigma_{t-1}^2$$

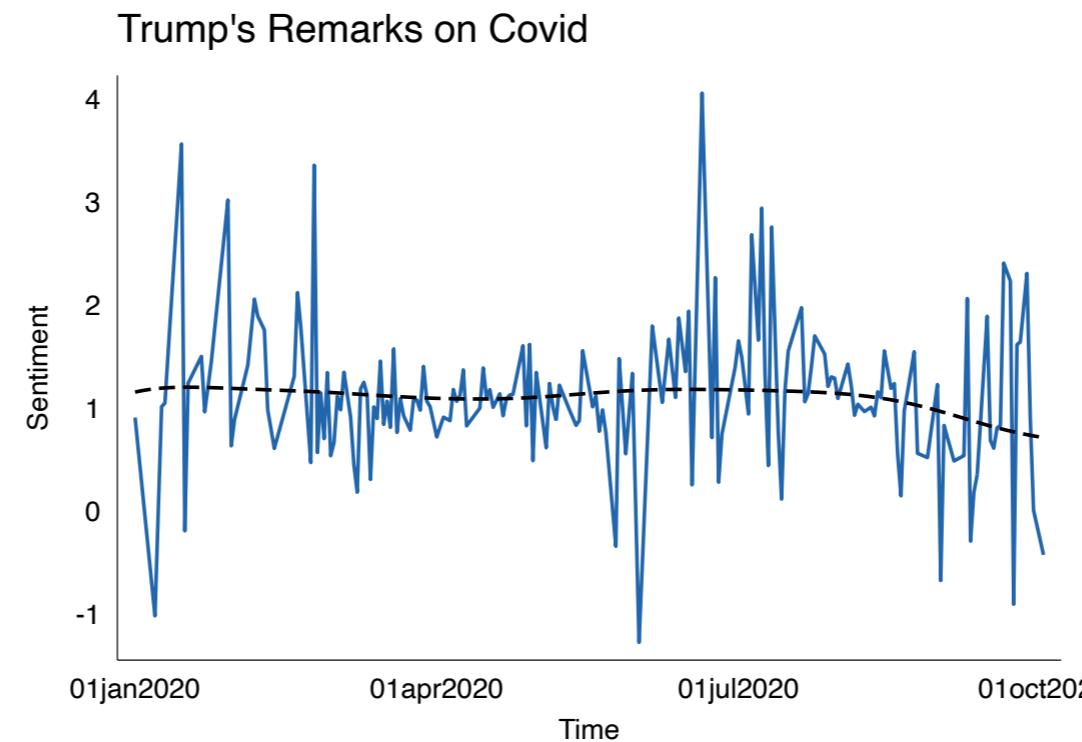
Daily % change in  
NASDAQ, NYSE  
index, S&P 500

$$\sigma_t^2 = \omega_0 + \omega_1 \epsilon_{t-1}^2 + \alpha \sigma_{t-1}^2 + \exp(\mathbf{z}_t \gamma)$$

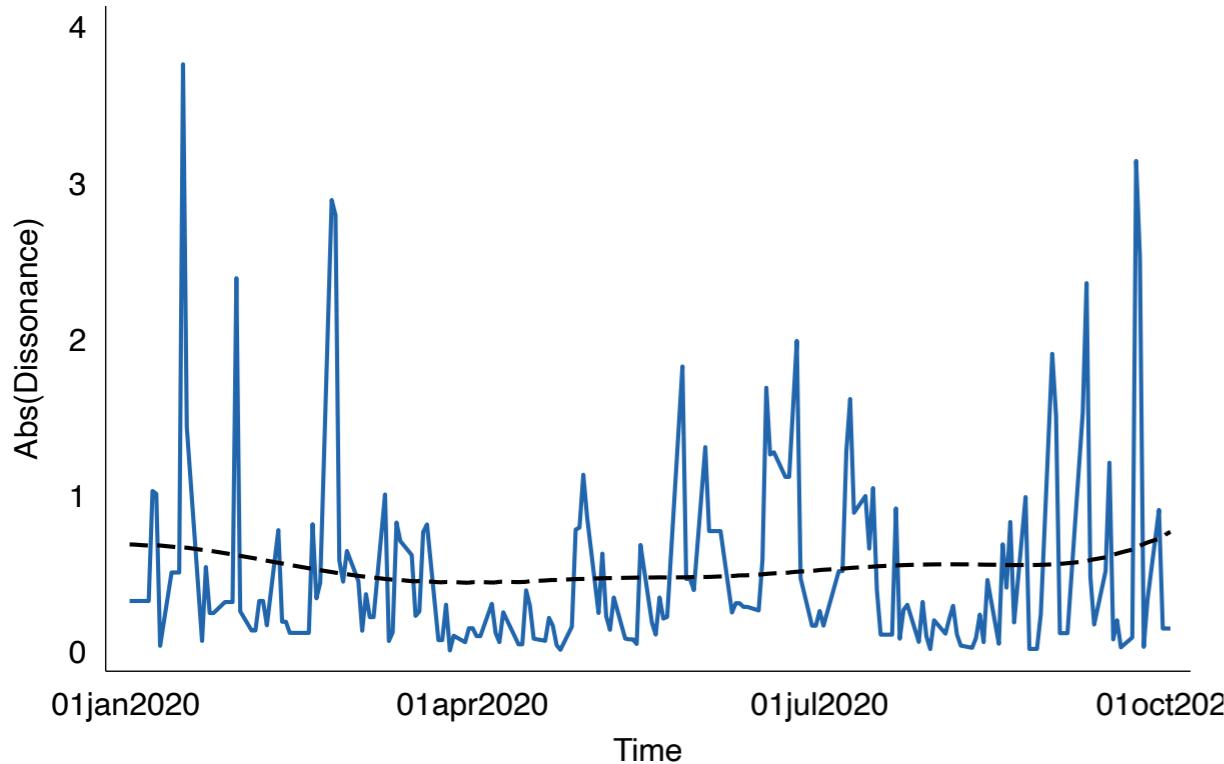
Dissonance measure(s)

Very parsimonious, at present

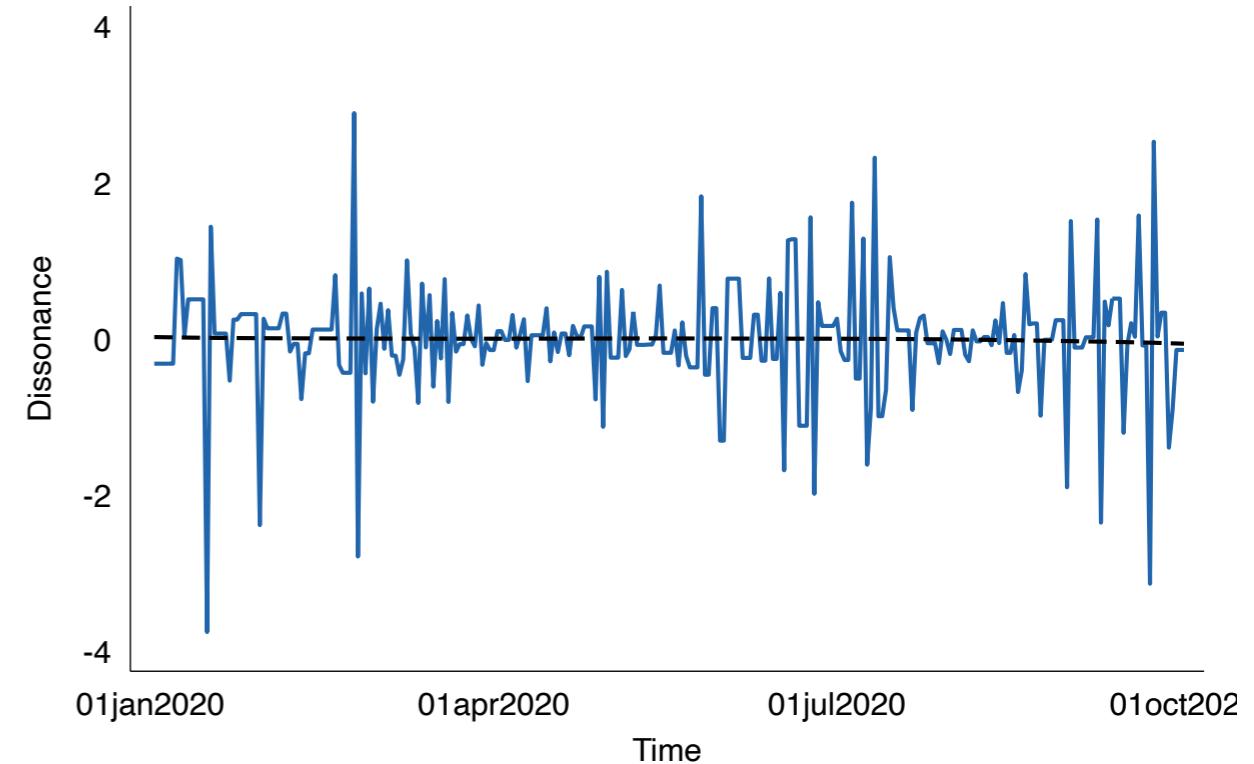
# Dissonance measure 1: Temporal dissonance



Trump's Remarks on Covid (Absolute)

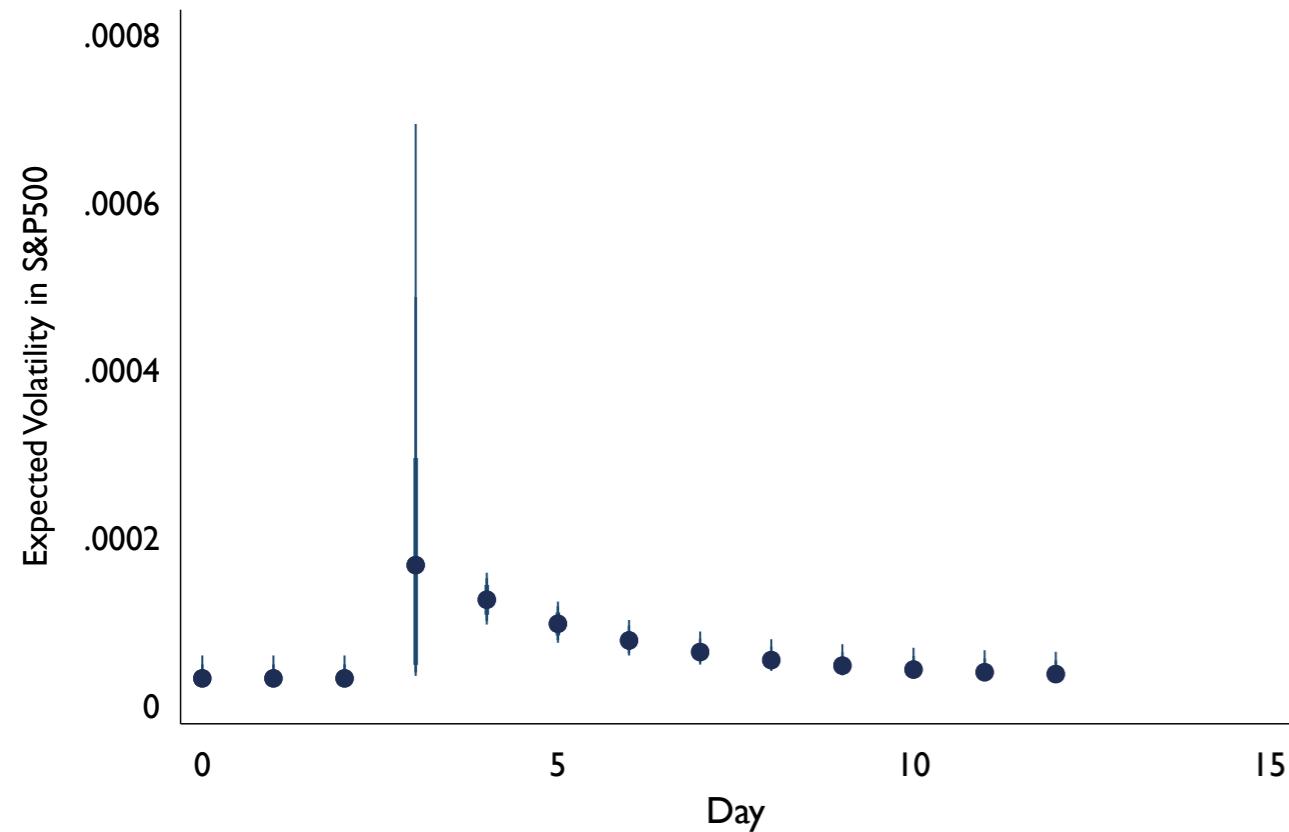


Trump's Remarks on Covid



# Temporal dissonance results

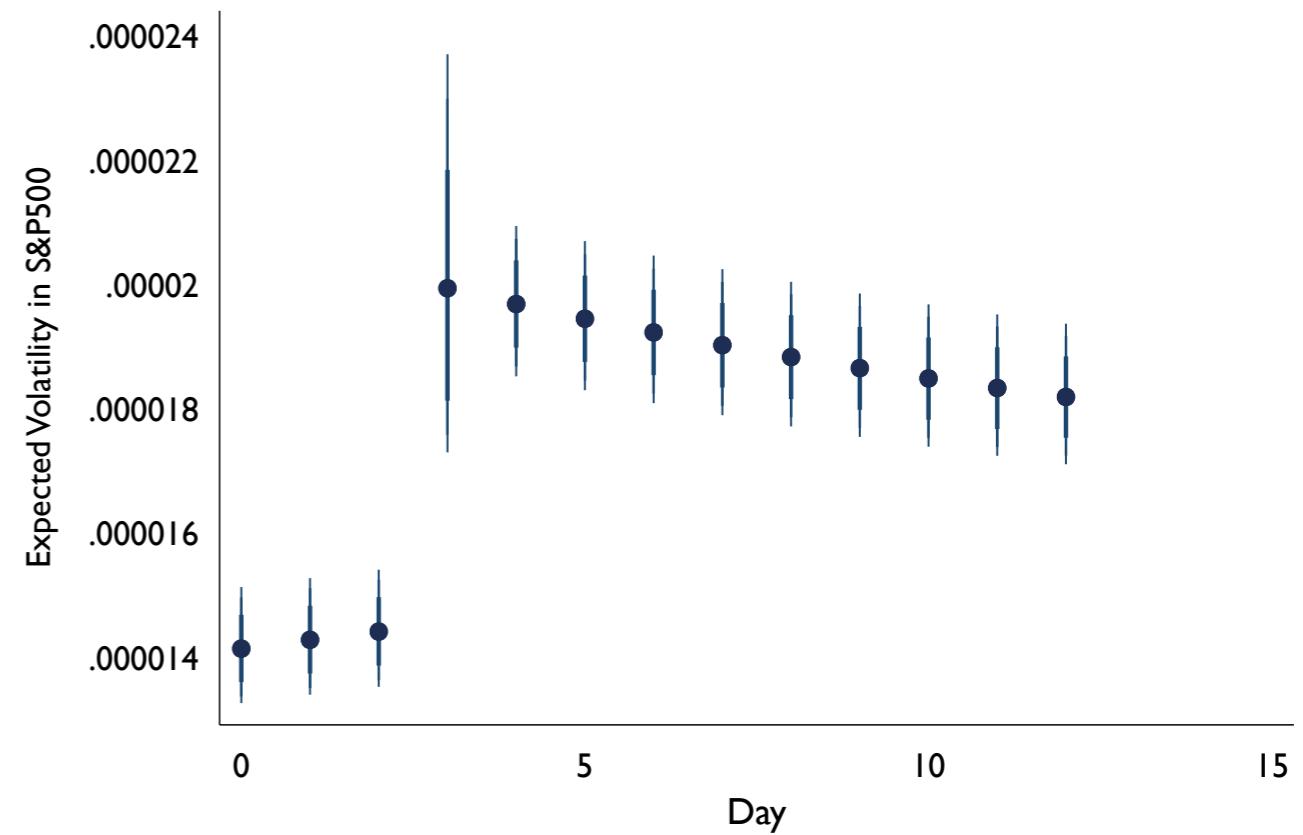
+1 SD Increase of Covid Dissonance (More Positive)



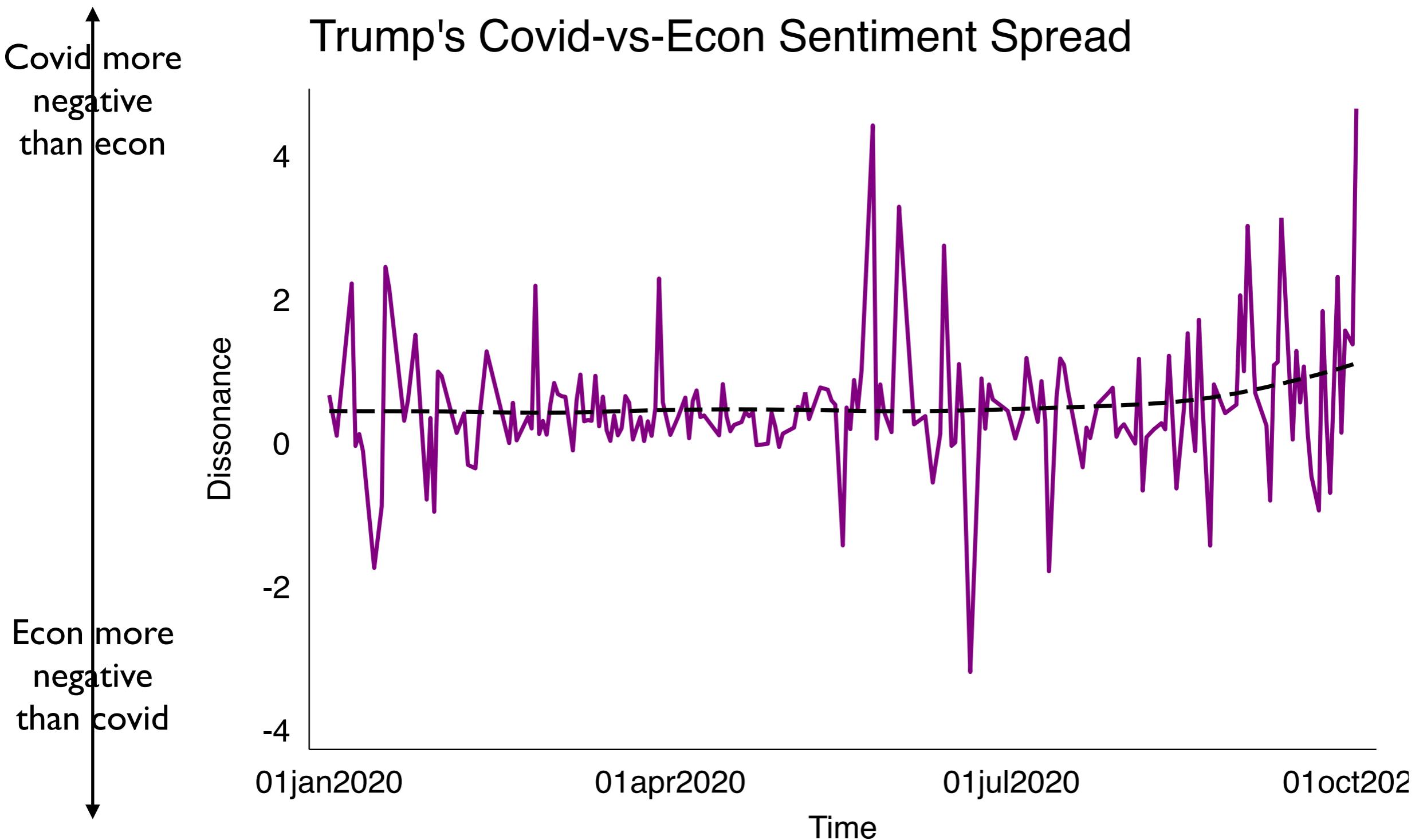
Large, highly statistically significant increases in volatility

Small in magnitude, very large in relative terms (e.g., from 0.000014 to 0.00002 is a 43% increase)

+2 SD Increase of Covid Dissonance (Absolute)

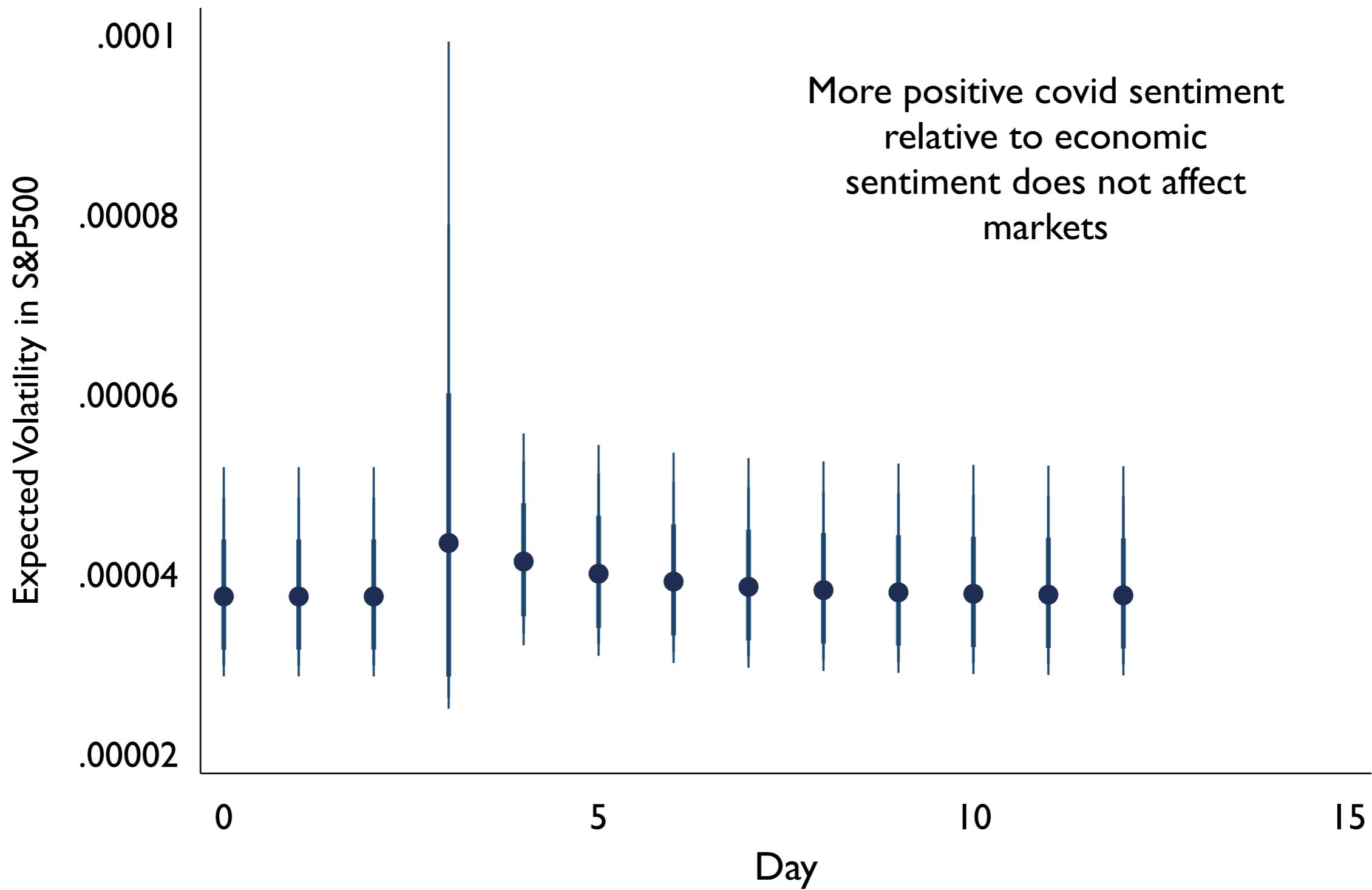


# Dissonance measure 2: Covid-to-econ spread

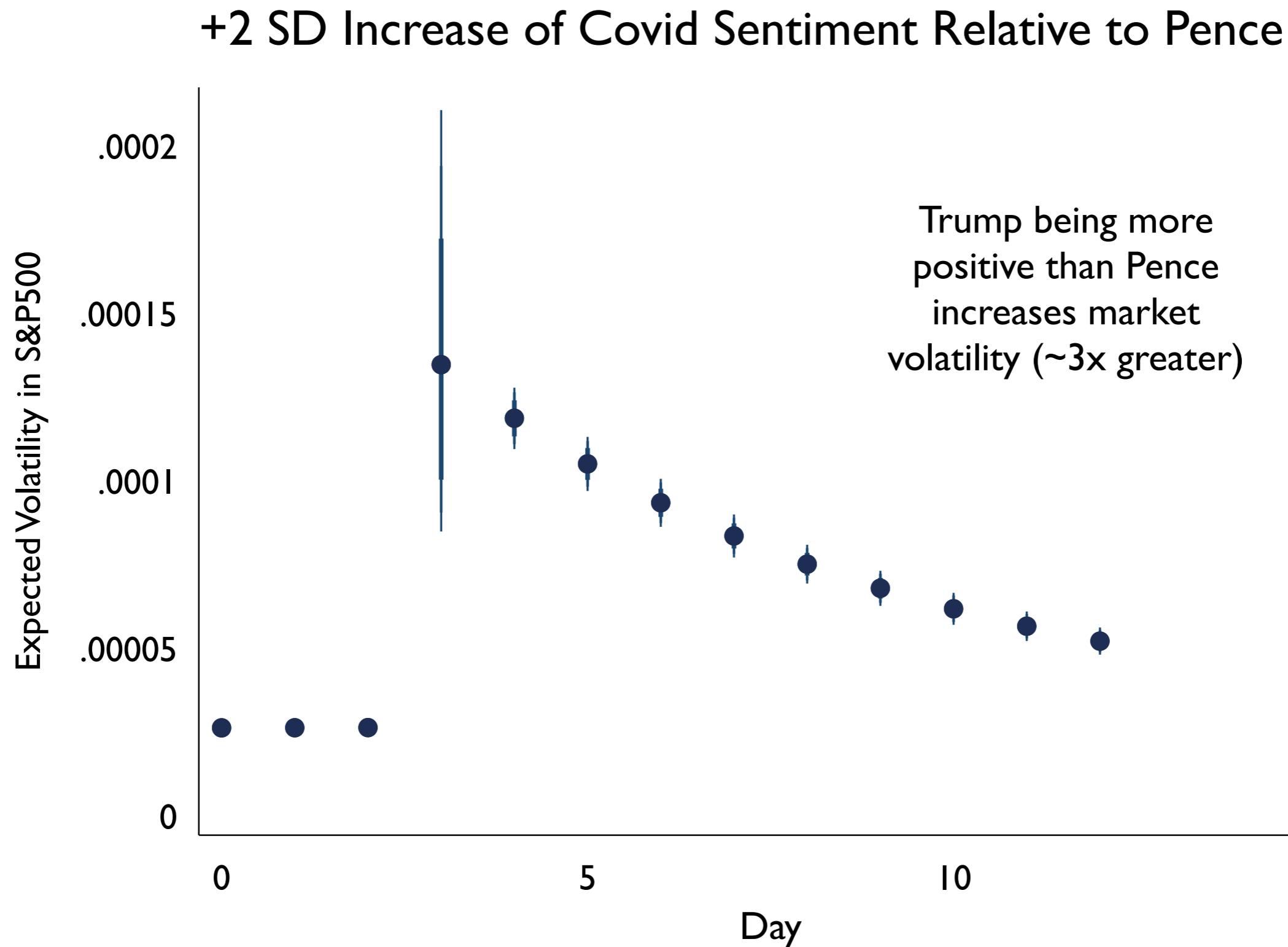


# Covid vs econ dissonance results

+2 SD Increase of Covid-to-Econ



# Trump dissonant to others



# Summarizing our results

	Temporal dissonance (signed)	Temporal dissonance (absolute)	Econ-vs-covid dissonance (signed)	Econ-vs-covid dissonance (absolute)	Trump-vs-Pence covid dissonance (signed)	Trump-vs-Pence covid dissonance (absolute)	Trump-vs-press secretary dissonance (signed)	Trump-vs-press secretary dissonance (absolute)
NASDAQ	More positive than yesterday + volatility	No effect	More negative about Covid than econ + volatility	Increased dissonance + volatility	Trump more negative than Pence + volatility	Increased dissonance + volatility	No effect	No effect
NYSE	More positive than yesterday + volatility	Increased dissonance + volatility	No effect	No effect	Trump more negative than Pence + volatility	Increased dissonance + volatility	Trump more negative than P-Sec – volatility	No effect
S&P 500	More positive than yesterday + volatility	Increased dissonance yesterday + volatility	No effect	No effect	Trump more negative than Pence + volatility	Increased dissonance + volatility	No effect	No effect

# Summarizing our results

Largest drivers of market volatility are Trump's dissonance (with his prior statements, with covid statements relative to economic ones)

Dissonance of Trump and Mike Pence also causing market volatility. No press secretary effect

Also examined daily variance in Covid-related sentiment by Trump. No effect

Also examine econ-dissonance. Sometimes affects volatility, but less often than Covid-dissonance

Absolute movements in measures matter just as much as directional ones

# Overall contributions

New research on politics and financial markets

Role of elites [somewhat] in setting policy; more about how they *talk about policy*

Research on how social media affects financial markets. Turning text-as-data into political economy time series

Methodologically: How can we better interpret GARCH results

# Where we are going from here?

Trump actively tweets about trade and trade agreements (e.g., China, Canada, Mexico)

For Covid-related dissonance, examine other measures of dissonance (other sentiments, other tone...e.g., 'angry', 'sad')

Examine economic-related dissonance

More fine-grained analysis (e.g hourly, minutely)

Work on turning our GARCH interpretation approach into a program (with Soren Jordan)



# Thank you!

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HOW LONG  
CAN THE  
FED  
KEEP THIS  
UP?