

IMPACT OF DONALD TRUMP ELECTION ON GLOBAL INDEXES

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ABSTRACT: *The purpose of this study was to determine the effect of Donald Trump's presidential election against abnormal return in the global index. This study uses event studies conducted on the index data from May 2015 until February 2017. Where Donald Trump Presidential election event is divided into four events, the first time to run, the second win in the primaries, the third time as the current elected Trump's and the fourth as inauguration. This study uses the event window (-5, + 5) and (-15, + 15) of each event, the next step is to calculate the actual return and calculate the expected return using the moving average method. The results showed that most events are considered important by investors is when Trump won in primaries election. This happened because of many factors that occur around the events that influence the abnormal returns, such as the Turkish military coup, and the referendum Brexit. The only index that responded consistently in almost every event is an index of China (SSE) and the American index (S & P 500 and the Dow Jones). When Trump was elected largely global investors responded positively, but in developing countries the index has a negative response.*

KEYWORDS: Us Presidential Election, Trump Election, Abnormal Return, Event Study, Moving Average

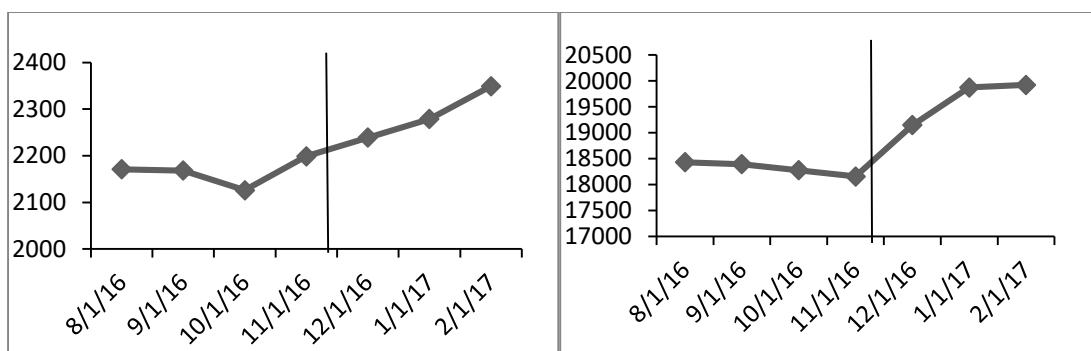
INTRODUCTION

Background

Globalization causes the flow of trade and capital investment between countries be increased. One of the investments that can be done by the investors is through the capital market. The capital market is a means for companies to obtain funds by selling the rights of ownership to the community. In the process, the capital market showed rapid development and serve as a means of investment to get the dividends or capital gains. The development of a country's capital market could not be released from various things happen such as political issues, economic issues, trade, as well as statements that other issues that come from home and abroad (Sutrisno,2005).

Conditions that occur in developed countries as the economic crisis, the turnover of the regime will have an impact for a centralized direction of Government policy in the country. The policy change will have an impact on stock price reductions, especially if it leads to greater uncertainty (Pastor and Veronesi, 2002). Such uncertainty can also be perceived by stock index of countries that have relations with those countries. Armstrong (2010) studies on the impact of the election of US President Barack Obama that affected not only the US stock market, but also outside the US. In addition research Syahputra (2016) that examines the reaction of the stock market of ASEAN to Britain to Exit (Brexit), the results showed that the reaction in the stock market of ASEAN when the Brexit event, but only temporary and not prolonged. Political news in developed countries has become a major issue that makes the stock markets around the world

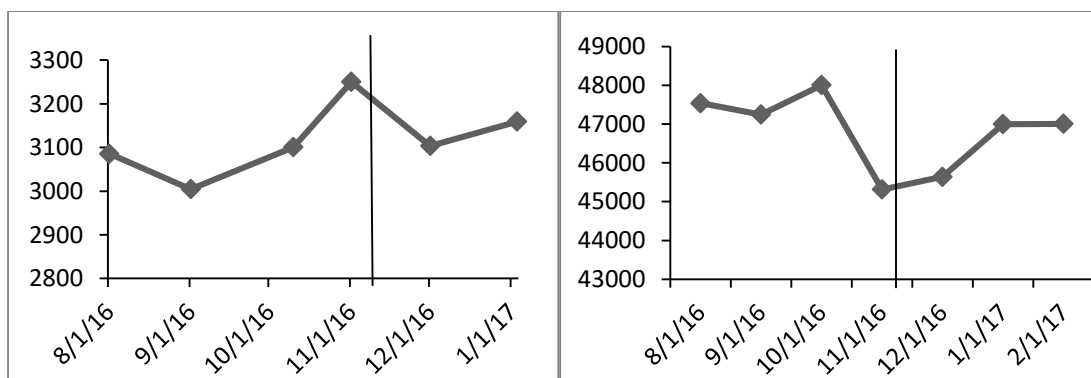
roiling, because of the concerns of international investors. Political news of Donald Trump’s US Presidential election became interesting news to dig. It caused by Donald Trump’s statement in his campaign that stated the policies plan that will make US become more close and protectionist by applying high taxes on goods that enter the US soil, and will cancel the NAFTA and TPP trade agreements. Otunuga (2016) said that this can caused the rising of global uncertainty and raises the risk of aversion. Therefore, the stock market of the world especially the JCI was hit by selling pressure. However, in the policy making of the American stock market is experiencing a significant increase in the index price when Donald Trump was elected on November 9th, 2016. As shown in Figure 1, the S & P 500 Index and the Dow Jones Industrial Average rose by an average of 2.5% and 2.3% from October 2016 to February 2017.



Source: Yahoo Finance, 2017

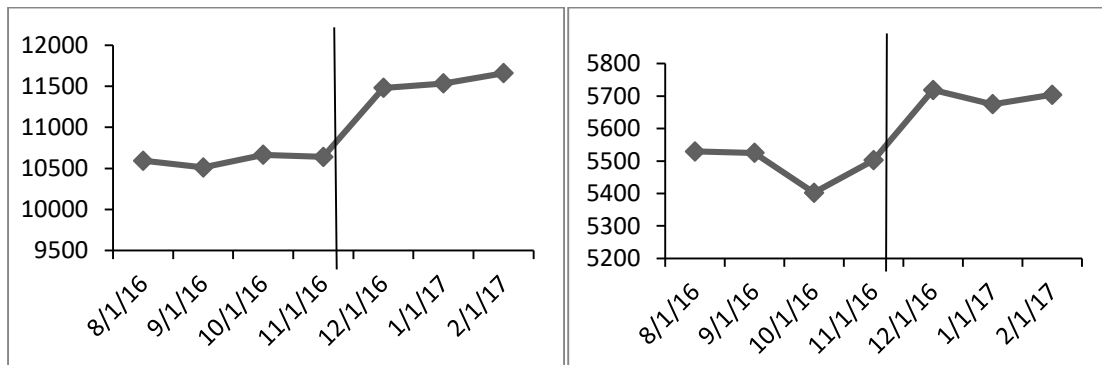
Figure 1. Graphic stock price of S & P 500 and DJIA Index Graphs before and after the announcement

Figure 1 indicates that investors considered that investments in listed companies in the S & P 500 and Dow Jones industrial average (DJIA) are promising after Donald Trump elected. However, in some other world indexes, the influence of Donald Trump’s election were diverted, as the price drop in the Chinese index (SSE) of 4,6% since the beginning of November to early December 2016. In addition, a significant decrease in index price gains was also seen in the Mexican stock index (MXX), Europe represented by the Germany Index, Deustcher Aktien index (DAX) and also Australia (AORD) as shown in the graph below.



Source: Yahoo Finance, 2017

Figure 2. Graphic stock price of China index (SSE) and Mexico index (MXX) before and after the announcement



Source: Yahoo Finance, 2017

Figure 3 Graphic stock price of Germany Index (DAX) and Australia Index (AORD) before and after the announcement

Based on Figure 1, 2 and 3 indicates that the investors responses generated by indexes from each country above is the result of political uncertainty when “different” candidates are elected as President of the United States of America. Investor response in various parts of the world is a reflection of investor perception toward an event that happened to a stock index in the world. These reactions are tested to see whether it was an impact of the “Trump Effect” or any other events that occur. Therefore, an analysis of how big the impact of President Donald Trump's election events on the movement of the return index in various parts of the world becomes an analysis and as an important reference for capital market players and investors in considering how the capital market response in the future for investment decision making.

Research Objectives

The purpose of this research is to examine and analyse the difference in cumulative abnormal return, before and after the election of Donald Trump as the US President and find that most events are considered important by investors.

The Scope of Research

The research conducted by using the event study approach to determine abnormal return related to the election of Donald Trump as the US President. This research was conducted on 13 representatives of world stock indexes.

RESEARCH METHODS

The data used are secondary data consist of daily stock closing price from the representatives of the world stock market index. The data accessible through the Yahoo Finance and Bloomberg as well as the national archive data obtained through websites such as detik.com, kompas.com and google.com.

Samples determined using purposive sampling method. The selected index that is representative of the index from different continents and countries have relationships with United States index, good trade relations as well as political relations pre event to post event announcements election of President of the United States, Donald Trump.

Based on the formulation of the problem and research objectives, the framework can be seen in Figure 5. The first objective using event study and the third objective using the simulation model with alternative changes in external and internal factors.

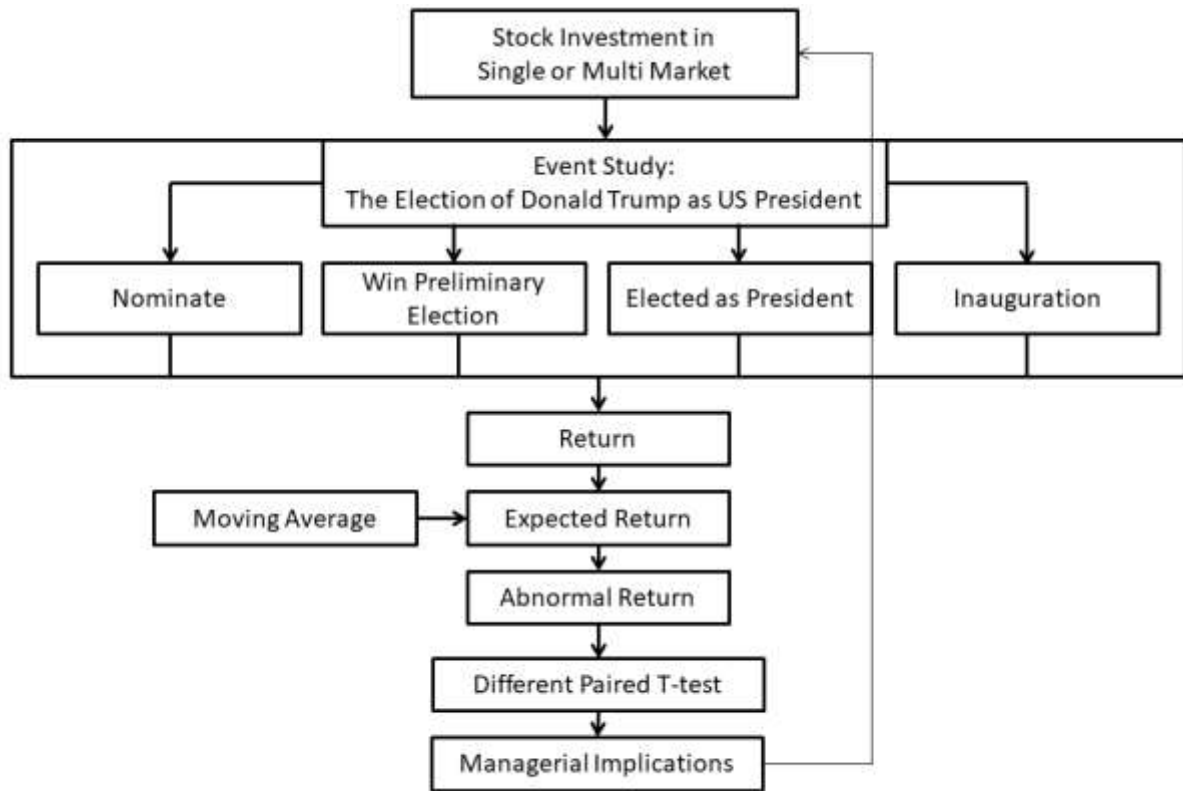


Figure 5 Framework

Data Analysis

Stages performed in this study are as follows:

1. Defining Events

Events used in this research are the election of US President Donald Trump divided into four events, namely:

- a. June 16th, 2015 when Donald Trump run as a candidate for US President.
- b. July 19th, 2016 when Donald Trump won the preliminary election to defeat other candidates from the republic parties.
- c. November 9th, 2016 when Donald Trump was elected as US President.
- d. January 20th, 2017 when Donald Trump was sworn as US President.

Estimation period and event window in this research:

The hypothesis is tested using a paired sample t-test period estimation set during the day and event assignment window is the H-5 and H + 5 and H-15 and H + 15 days for each event.

2. Sets the index of the country under study

The index used in this research is a representative world index of each continent and also a country that has a relationship to the United States, such as the American index (S & P 500 and Dow Jones) and the index of Mexico (MXX), Asian index are represented by China (SSE), Indonesia index (JKSE), the index of Hong Kong (Hang Seng), European indices are represented by an index of Germany (DAX), European indices (Eurostoxx 50), the index of the UK (FTSE 100), the index of Africa was represented by an index of Egypt (EGX 30) and also an index of the TPP member countries namely Australia index (AORD), Japan (Nikkei 225), and the Canadian index (S & P / TSX Composite index)

3. Counting actual return, expected return and abnormal return

The formula used actual return index is as follows:

$$R_{i,t} = \frac{(P_{i,t} - P_{i,t-1})}{P_{i,t-1}}$$

Description:

$R_{i,t}$ = Actual return index of I on day t

$P_{i,t}$ = Stock price of I on day t

$P_{i,t-1}$ = Stock price of I on day t-1

Expected return of each index [$E(R_t)$] in this research calculated by using a moving average. Abnormal return can be calculated using the following formula:

$$AR_{i,t} = R_{i,t} - E(R_{i,t})$$

Description:

$AR_{i,t}$ = Abnormal return index i on day t

$R_{i,t}$ = Actual return index of t

$E(R_{i,t})$ = Expected return index i on day t

4. The cumulative abnormal return (CAR) parameter during the event period can be calculated using the following equation:

$$CAR_{i,t} = \sum AR_{i,t}$$

Description:

$CAR_{i,t}$ = cumulative abnormal return index i on day t

$\sum AAR_{i,t}$ = the number of abnormal return index i on day t

5. Testing to know abnormal returns which have significant effect on stock market to an event is done by using t test (t-test). H0 will be accepted if the t value calculate is smaller than the t table, whereas H0 is rejected if t count greater than t table.

Hypothesis testing steps are as follows:

1. Formulate a hypothesis

H0: *Average abnormal return* before = *Average abnormal returns* after

H1: *Average abnormal return* before \neq *Average abnormal returns* after

2. Determining the level of significance (α)

Significance level used in this study was 5%

3. Determine the criteria for rejection of H0

Criteria for rejection of H0 is when $t > t$ table

4. Calculating the value of T calculate abnormal returns

$$T \text{ count} = \frac{CART}{KSEt}$$

Description:

Cart = *Average return* abnormal on day t

KSEt = Standard error of estimate on day t in the event period

Formulation paired samples t-test

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2} - 2r \left(\frac{s_1}{\sqrt{n_1}} \right) \left(\frac{s_2}{\sqrt{n_2}} \right)}}$$

Description:

T : T value

\bar{X}_1 : *abnormal return* before the election of Trump as US president

\bar{X}_2 : *abnormal return* after Trump's election as US president

s_1 : Standard deviation of sample 1

s_2 : Standard deviation of sample 2

s_1^2 : The sample variance 1

s_2^2 : The sample variance 2

r : The correlation between the two samples

RESULTS AND DISCUSSION

Impact of Donald Trump running as candidate for President of the United States of America.

Donald trump running events are considered events that could shake the world stock index return so that the event is tested whether there is a significant difference before and after the event. The calculation result of different test paired sample t-test on CAR in the event window 5 and 10 days are shown in Table 1.

Table 1. Differential test Cumulative Abnormal Return (CAR) before and after Donald Trump run for presidential candidates in the event window 5 days and 15 days

No.	Index	-5 and +5		-15 and +15	
		Sign	Sig value (2 tailed)	Sign	Sig value (2 tailed)
1	AORD	+	0.340	+	0.403
2	DAX	+	0.183	+	0.431
3	SSE	-	0.378	-	0.061
4	DJIA	+	0.181	+	0.539
5	EGX 30	+	0.472	-	0.241
6	EUOROSTOXX	+	0.121	+	0.771
7	FTSE 100	+	0.279	+	0.940
8	HSI	+	0.262	-	0.299
9	JKSE	+	0.082*	+	0.010
10	MXX	+	0.005	+	0.165
11	NIKKEI 225	+	0.609	-	0.993
12	S & P 500	+	0.204	+	0.895
13	TSX	+	0.213	+	0.581

Information:

A positive sign (+) indicates a real difference before and after the form of positive sentiment

The minus sign (-) indicates significant difference before and after the form of negative sentiment

* Significant at the 10% level

From Table 1, it can be seen that there are three indexes that significantly differ in CAR before and after the announcement of Donald Trump running as a candidate for President of the United States on 16 June 2015. The difference in the CAR on several indexes after Trump running events show that these indices respond to any information related to market sentiment which took place during the observation period.

Related topics announcement of Donald Trump running as president responded by SSE Index, MXX and JKSE. The real difference in the index CAR seen in the event window (-5, + 5) on

the SSE index and (15 + 15) on the SSE index as well as the event window (-5, + 5) and (-15, + 15) on the index JKSE. Positive and negative values in Table 1 show that the investor of three stock indexes are responding to events candidacy Trump, however, the response is more driven by investor sentiment, this is because Trump at the time was not yet cast the campaign as well as support for other candidates still stronger so investors still wait and see to the US election.

Impact Donald Trump wins in preliminary election Republican Party.

The selection of presidential candidates the United States conducted by the delegation of each party make Donald Trump won the election preliminary on July 19th, 2016 beat other candidates of the Republican Party to get votes in 27 states, Ted Cruz, who gets more than 10 states, Marco Rubio obtaining three states and John Kasich acquire one state (DW 2016). This makes some of the world's stock index had a reaction in the preliminary election. The reaction can be seen from testing of the CAR in the event window 5 and 15 days contained in Table 2.

Table 2. Different test Cumulative Abnormal Return (CAR) before and after the preliminary election win Donald Trump in the event window 5 days and 15 days

No.	Index	-5 and +5		-15 and +15	
		Sign	Sig value (2 tailed)	Sign	Sig value (2 tailed)
1	AORD	-	0.108	-	0.264
2	DAX	-	0.663 *	-	0.715
3	SSE	-	0.173	-	0,004
4	DJIA	-	0,015	-	0.116
5	EGX 30	-	0,000	+	0.429
6	Eurostoxx	-	0,041	-	0.484
7	FTSE 100	-	0.307	-	0,020
8	HSI	-	0,002	-	0.611
9	JKSE	-	0.826	+	0.935
10	MXX	-	0.245	-	0.204
11	NIKKEI 225	-	0,003	-	0.422
12	S & P 500	-	0,030	-	0.226
13	TSX	-	0.060*	-	0,339

Information:

A positive sign (+) indicates a real difference before and after the form of positive sentiment

The minus sign (-) indicates significant difference before and after the form of negative sentiment

* Significant at the 10% level

Table 2 above, it is known that the apparent differences in the CAR before and after the events of Trump won the primaries occur in several indexes including indexes, United States (DJIA and S & P 500), the index of Egypt (EGX 30), Europe (Eurostoxx 50), the UK (FTSE 100), Hong Kong (HSI), Japan (Nikkei 225), China (SSE) and Canadian (TSX). This indicates that the index is responding to the information related to the events of the primaries as a non-economic factor affecting the level of investors profit in the stock market.

DJIA, S & P 500, EGX 30, Eurostoxx 50, HSI, Nikkei 225 and TSX have the same response that is five days before and after the event. Negative response occurred in the American index (S & P 500 and DJIA) suggests that investors sell their shares shortly after Trump preliminary election win. According to Pimastono (2006) the political issues surrounds the participating, affects capital markets. Although the outside issues and economic policy has no direct influence on the activities of the capital market, but often cause shock in the exchange. Goodell and Vähämaa (2013) which examines the impact of the US stock market when the US presidential election, from the research, said that the presidential election process creates market uncertainty for investors hopeful about the potential winners and future macroeconomic policies. Negative responses that occur in the index EGX 30 is investor sentiment regarding events Trump wins in preliminary elections. It shows that the Egyptian stock market is semi-strong, so the market catches quickly to political events (Ramesh 2015). Negative response to the Eurostoxx 50 index showed most European stock markets react when events Trump won in primaries. index composed of 50 stocks with a market capitalization greater than 11 European countries is due to the global influences that affect the slowing down of the movement of the price index in the country while the global problems affecting the sluggish movement of stock prices in the European countries that is a referendum Brexit (British Exit) by Raddant (2016) Brexit event responded to the declining price index of Germany, France, Spain and Italy for 3 weeks.

Negative response on the Japanese index (Nikkei 225) due to concerns of investors in the Nikkei 225 index, Golkar (2016) said that the victory Trump rated will bring a lot of global uncertainty. This will certainly have an impact for Japan is the largest importer of US 4th with a total value of imports amounted to \$ 162.8 billion in 2016 and also Japan ranks second only to China in bilateral surplus with the United States (US Census Bureau 2017). The same response occurs in Canada Index (TSX). That is because Canada is a member country of NAFTA (North American Free Trade Agreement), which in its campaign Trump promised to cancel the trade agreement, but it also, Canada is the third largest importer after China America and Mexico in 2016 amounted to \$ 307.6 billion (US Census Bureau 2017). China Index (SSE) respond negatively to events Trump wins in primaries that occur in the event window (-15, + 15) before and after the event. Negative responses indicate that the threat of Donald Trump to limit imports by applying high taxes make most investors sell their shares. Application of high taxes to restrict imports coming from China will disrupt the industry of Chinese export industry commodities to other countries, especially the United States. This is because China is the largest importer America in 2016 amounted to \$ 478.9 billion (US Census Bureau 2017). This phenomenon is consistent with research Knight (2007) which says that the political elections that are sensitive to the policy program will be elected candidate in the Presidential election. English Index (FTSE 100) responded negatively to such events. British stock market responded to this event due to political uncertainty after Brexit England. As contained in Research Belke et al (2016) which states that the political uncertainty regarding the development of relations between the UK and the European Union led to turbulence in financial markets, even three months after polling This can weaken investment and investment in the UK and other European countries, British stock market response to this event due to political uncertainty after Brexit England.

In addition to influence the election of Donald Trump in the elections introduction, influences that threaten the movement of stock indices of these countries came from abroad such as military coups Turkey to overthrow the President of Turkey Recep Tayyip Erdogan that occurred on Friday July 15, 2016, causing negative sentiment stock exchanges in emerging

market (Nicholson 2017). In addition, Brexit referendum which took place on June 23, 2016 which makes the negative sentiment on the indices in Asia, Europe and Wallstreet in two weeks so there is uncertainty about the long-term outlook for the UK economy (Hughes et al. 2016).

Impact Donald Trump was elected president of the United States.

Occasion of the election of US President Donald Trump on 9 November 2016 raises uncertainty regarding who will be elected or which party will win the election. This is in accordance with the statement Pantzalis et al. (2000) which states that expectations about the defeat of the incumbent party in the presidential elections will lead to more uncertainty than when the party was re-elected incumbent. For the testing of CAR to the events of Donald Trump as president-elect set contained in Table 3 below.

Table 3. different test CAR before and after an event Donald Trump was elected president of the United States in the event window 5 days and 15 days

No.	Index	-5 and +5		-15 and +15	
		Sign	Sig value (2 tailed)	Sign	Sig value (2 tailed)
1	AORD	+	0,005	+	0,002
2	DAX	+	0,044	+	0,316
3	SSE	+	0,008	+	0.065*
4	DJIA	+	0.088*	+	0,005
5	EGX 30	-	0,062	-	0.209
6	EUROSTOXX	+	0.226	+	0.553
7	FTSE 100	+	0,243	+	0.114
8	HSI	-	0.671	+	0,199
9	JKSE	-	0.092	-	0.106
10	MXX	-	0.329	-	0.355
11	NIKKEI 225	+	0,005	+	0,039
12	S & P 500	+	0.060	+	0,016
13	TSX	+	0,548	+	0.307

Information:

A positive sign (+) indicates a real difference before and after the form of positive sentiment

The minus sign (-) indicates significant difference before and after the form of negative sentiment

* Significant at the 10% level

From Table 3, the index had significantly noticeable difference in the CAR before and after the announcement of Donald Trump was elected president of the United States is Australia's index (AORD), the index of Germany (DAX), the American index (DJIA), the index of Egypt (EGX 30), index Indonesia (JKSE), the index of Japan (Nikkei 225), the American index (S & P 500). There are significant differences both positive and negative on diseputar CAR elected Trump events show that investors in response to the events related to the index during the observation period.

The real difference to the CAR significantly occurred on American Index (DJIA and S & P 500) before and after Donald Trump declared elected as president of the United States. From

Table 3 above, the DJIA and the S & P 500 was positive in the second event window (-5, + 5) and (-15, + 15). This is in line with the vision and mission of Donald Trump during the campaign that will raise the US economy, so investors tend to choose to invest in stocks listed on the American index as investors see good prospects and generate huge profits. The results are consistent with Bouoiyour (2017), who studied the effect of the announcement of the US Presidential Election Donald Trump to 3 in US stock indices (DJIA, NASDAQ and S & P 500) says that the effect of announcement of Victory president of the United States Donald Trump responded with increasing returns in the majority of sectors in the three indexes Americans and research Roberts (1990) which says that the sectors of Defense on the stock market in the United States to respond positively in line with the increase in the probability of winning the American President States Ronald Reagan, influenced by the promise of the candidate for defense spending. It is also in line with research Savita (2015) which examined the election of the President of India stated that the elections take place in a State give a positive abnormal return that reflects the market has reacted positively to the possibility of changes in the government and after the election of a new government.

In addition to America, the real difference CAR also seemingly on Australia Index (AORD) and Japan (NIKKEI 225). Both indexes The country has a positive response to the second event window (-5, + 5) and (-15, + 15) after the announcement. This proves AORD and NIKKEI 225 which is an index member States TPP is not affected negatively to the announcement, investors perceive the index NIKKEI 225 still have good prospects for the United States is still an opportunity to make a trade by bilateral with that State (Kyodo 2017) as well as what happens on the index AORD, Turnbull (2017) say that Americans have a hope of changing the policy over time as other trade agreements, it is even supported by the US secretary of state candidate Rex Tillerson Republican who supports the TPP, other things also allow China to join the TPP after the Americans withdrew. Positive response shown in the Chinese stock market (SSE) on the second event window (-5, + 5) and (-15, + 15) after Trump's election as President of the United States. This suggests that the response might make investors SSE index is not affected by the threat will be carried out Trump against the Chinese State. This is in line with research and Nippani Hoe (2017) said that the election of President Donald Trump has no negative impact on the major indices in China as SHCOMP (Shanghai Composite / SSE) and SZCOMP (Shenzen Composite / SZSE) Another thing also allow China to join the TPP after the Americans withdrew. Positive response shown in the Chinese stock market (SSE) on the second event window (-5, + 5) and (-15, + 15) after Trump's election as President of the United States. This suggests that the response might make investors SSE index is not affected by the threat will be carried out Trump against the Chinese State.

DAX index, EGX 30 and JKSE respond since the five days before and after the announcement of Donald Trump was elected president of the United States. Responses occurred in Indonesia index (JKSE) is indicated by a noticeable difference in the CAR were significantly negative in the 5 days before and after the announcement of the election of Donald Trump as president of the United States, it is evidenced by the average CAR after a smaller than average before event. The real difference that occurs in the event window (-5, + 5) showed that the Indonesian market to respond quickly to such events. This is in line with research Evelyn and Basama (2017) which says that the CAR after the announcement of Trump elected as President of the United States are lower than before the announcement. Research Sagita (2017) says that the Dow Jones Industrial Average (DJIA) has a negative influence on the Indonesia Composite Index (ICI) at the time before the Trump selected. Pramisti (2017) which states that the optimism of victory Hilary Clinton made a volatile stock markets, including Indonesia.

A similar response occurs in African indices represented by the index of Egypt (EGX 30), Egypt Index experienced a rapid response to the announcement, it can be seen in the 5 days before and after the announcement CAR negative showed a significant difference when terpilihnya Donald Trump. It shows that the stock market is semi strong, so the market menangkap rapidly to political events. (Ramesh 2015) given the value of Egyptian exports to the United States in 2016 amounted to US \$ 1492.29 quadrillion (US Census Bureau 2017) in addition, there are also other factors that interfere with the return of investors in the stock market around each observation period is Egypt's central bank policy rate increase the main interest of up to 20% on 3 November to stabilize the State's sluggish economy. (Ahramonline 2016) increase in interest rates the central bank of Egypt will be followed by an increase in bank interest rates, both lending rates and deposit rates. Companies that require higher funding for the production and operation activities may apply for loans to banks with high interest rates. It can impacted to the decline in corporate profits. Therefore investors who make investments to the stock market to sell shares so that the share price decline. It can impacted to the decline in corporate profits. Therefore investors who make investments to the stock market to sell shares so that the share price decline. It can impacted to the decline in corporate profits. Therefore investors who make investments to the stock market to sell shares so that the share price decline.

The real difference located on the DAX which responded positively to the incident, it indicates that the German index remains a destination for investors. As said Kroet (2016), which state that the German economy is not affected directly visible to the election of Donald Trump as President. The resulting response of investors after Trump was elected largely a positive response and the positive response at the show indices developed countries, whereas investors in developing countries index had negative responses after the event. This indicates the 'Trump Effect' is perceived by the indices of developing countries. It is considering the developed countries are much stronger economically than the developing countries which require developed countries as a major trading partner.

The impact of Donald Trump was elected president of the United States.

Events of the inauguration of US President Donald Trump on January 20, 2017 is an event that can cause abnormal return is happening in various countries stock indexes both positive and negative in the event window (-5, + 5) and (-15, + 15) , Here below is a table of different test paired sample t test against CAR representative of world stock indices.

Table 4. different test Cumulative Abnormal Return (CAR) before and after the inauguration of the new American president Donald Trump in the event window 5 days and 15 days

No.	Index	-5 and +5		-15 and +15	
		Sign	Sig value (2 tailed)	Sign	Sig value (2 tailed)
1	AORD	+	0.175	-	0.620
2	DAX	+	0.195	-	0.755
3	SSE	+	0,003	+	0,001
4	DJIA	+	0,003	+	0,032
5	EGX 30	+	0.492	-	0.385
6	EUROSTOXX	+	0.416	-	0.202
7	FTSE 100	+	0.924	+	0,100
8	HSI	+	0.759	-	0,074
9	JKSE	+	0.450	-	0.513
10	MXX	+	0,076	+	0.697
11	NIKKEI 225	+	0.102	+	0.327
12	S & P 500	+	0,027	+	0.269
13	TSX	+	0.148	+	0.727

Information:

A positive sign (+) indicates a real difference before and after the form of positive sentiment

The minus sign (-) indicates significant difference before and after the form of negative sentiment

* Significant at the 10% level

Based on Table 4, there are 5 index had significantly noticeable difference in the CAR before and after the announcement of Donald Trump was sworn in as president of the United States, among others are the American index (S & P 500 and DJIA), the index of the UK (FTSE 100), the index of Mexico (MXX) and the index of China (SSE), the index of Hong kong (HSI) there are significant differences both positive and negative on the index suggests that investors are responding to the events related to Donald Trump's inauguration as President of the United States that took place during the observation period.

DJIA, S & P500, MXX index, the FTSE 100 Index and SSE have a positive response to the event Donald Trump was sworn in as president of the United States. The real difference in the CAR significantly occurred in the American index (DJIA and S & P500) before and after Donald Trump was sworn in as president of the United States, the impact of which occurred in the DJIA occurred at both the event window (-5, + 5) and (-15, + 15), while the S & P500 index occurs only in the event window that is (-5, + 5). Positive responses occurring in the US stock market to the events of the inauguration of US President Donald Trump indicated that such events give effect to the level of benefits received by investors because the investors are sure to Donald Trump to implement its promises during the campaign, namely to stimulate the economy within the United States. But on the S & P500 event window (-15, + 15) found no significant differences significantly. That is because the S & P 500 consists of 500 companies with large market capitalization listed on the New York Stock Exchange (NYSE), which consists of many sectors including industry, energy, information technology (IT), finance,

healthcare and consumer goods which not all investors plant stocks at all the above sectors but investors from certain sectors tend to wait and see attitude towards further developments.

The real difference that occurs in the FTSE 100 Index and the HSI occur in the event window (-15, + 15). Positive responses occurring in the FTSE 100 index proves the confidence of investors to invest in the UK stock market where bilateral relations between the two countries after the trump sworn in as president of the United States is becoming increasingly better (Spicer 2017). While the negative response to the HSI index diseputar events According Pardede (2017) due to investor caution ahead of the inauguration and speech-American elected president in his sector where the number of such sectors as banking, transportation and utilities experienced the largest decline.

The real difference occurs in China Index (SSE) with the positive response to the second event window (-5, + 5) and (-15, + 15) This shows that the political uncertainty is reduced as investors already know who the President of the election so that investors grow its share in the index and caused the stock price to rise. According to Goodell and Bodey (2012) that the uncertainty surrounds the US presidential election sparked a fall in stock prices. But according Pantzalis et al. (2000) As soon as the political uncertainty is reduced, the share price will go up again. The real difference occurs in MXX index which had a positive response to the event window (-5, + 5). It shows that the market is responding briefly to the announcement of Donald Trump's inauguration as President of the United States. The response is only investor sentiment. This is because according to Puebla (2017) after Trump's inauguration investors are just waiting to see if Trump will realize its promise during the campaign.

CONCLUSIONS

Based on the analysis in the study, can be summed up as follows:

1. Results of testing the cumulative abnormal return on world stock markets reacted when events of the US presidential elections Donald Trump. Negative response occurred in 8 of world stock index at the time of Trump won in primaries. At the time Trump was elected president of the United States, the positive response shown by several index while the index of developing countries experienced a negative response.
2. US stock markets react when Trump won in the primaries, when Trump elected and when Trump was sworn in as President of the United States. The resulting reaction is different for each event.

Suggestions

The suggestions for further research (1) Using the sample for each sector on the world stock market index that aims to see whether the responses given by each index experienced a whole sector or only experienced by certain sectors only. (2) Using the model GARCH / ARCH and VAR to see the stock market movements related to events of the Presidential election. (3) Looking at the movement of other capital market like the commodities market, bond market and foreign exchange market due to the events of the Presidential election. (4) simulate long to see the effects after Trump was elected president of the United States and or do research when Trump carry out its policies.

Implications

In high uncertainty such as Trump winning the primary election when U.S president doesn't know who will be elected investor not to advised to invest in stock due to the high risk of obtaining maximum returns and should start to look at possibilities by looking at future prospects. when trump is elected, the prospect of investors to invest in a market developed countries, but it is not advisable not to invest in the stock market of developing countries.

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