Does Trump's election victory divide US stock market into winners and losers?

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Abstract: Many analysts, who had anticipated a great market anxiety resulting in market-wide stock price losses over the event of a Trump presidential victory, remain puzzling through why the market rebounded since the next election day. Whatever the reason, investors appear to be digesting Trump's win speedier than expected. The present paper examines, at sectoral level, the behavior of a variety of US stock price indices (Dow Jones Industrial Average, S&P 500 and Nasdaq Composite) surrounding the announcement of the Republican candidate's win on 08 November 2016. Although all companies face ongoing uncertainty, the 2016 US election outcome is likely to divide the stock market into losing (technology and utilities) and winning sectors (health care, oil and gas, real estate, defense, financials and consumer goods and services). Judging by the campaign promises, the best-performing companies are generally those that will gain directly from Trump's proposals revolving around rising infrastructure spending, renegotiating trade agreements, loosening financial regulation, easing restrictions on energy production, and repealing Obamacare.

Keywords: US election; Trump's victory; stock market.

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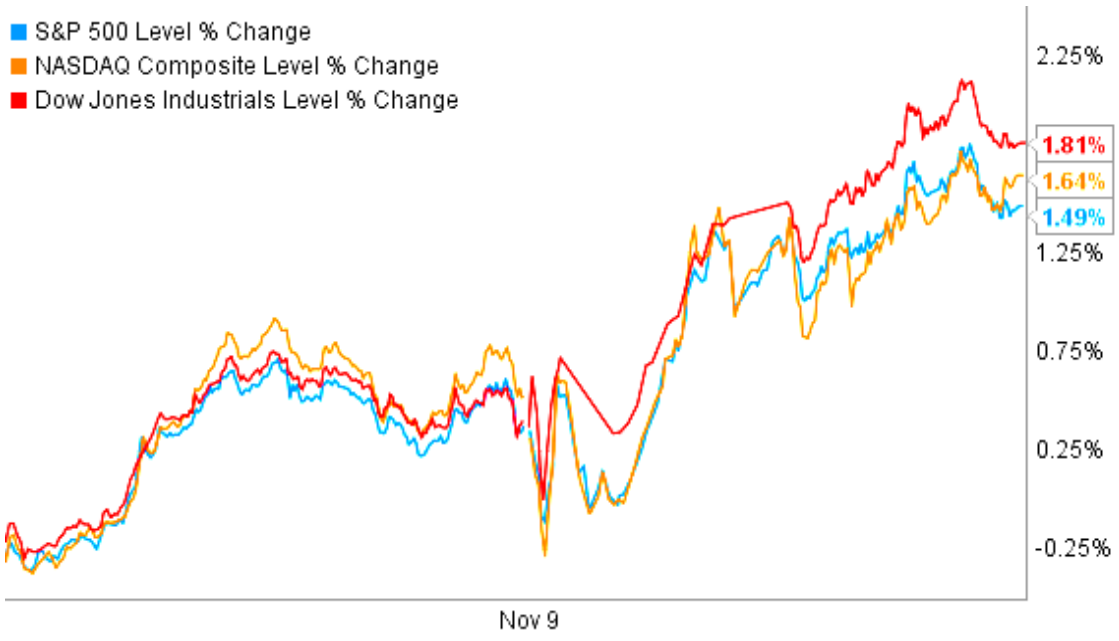
1. Introduction

On Tuesday 08 November 2016, against all odds, polls, and projections, the Republican candidate -Donald Trump- claimed win in the presidential election, defeating Democratic nominee Hillary Clinton. This unexpected Trump's victory is still being promulgated by news outlets and analysts worldwide. Financial markets had widely priced in a win for Clinton, who they viewed as a better short-run outcome because she represented few unknowns and thus less uncertainty. In response to the Trump's stunning triumph, financial markets around the world plunged in shock over the initials hours after the President Election results but those moves have been modulated in early Wednesday. US stock markets plunged remarkably since polls closed on Tuesday evening. US Futures market witnessed a sharp decrease that was mainly due to uncertainty, something stocks don't generally react well to. But after the stocks surged, in particular, on Monday 14 November, the Dow Jones climbed to 1.81 percent, and the S&P 500 rose 1.64 percent (Figure 1). Also, the Nasdaq, which struggled after the election, increased to a record high on Monday (1.49 percent), its first since September.

Figure 1. The Trump's win effect on US stocks



Even though the previous studies on the effects of changes in government policy showed a negative influence on equity markets, the effects of Donald Trump swept to victory on US stocks seem unanticipated. Normally, companies have to make prominent choices based on the expected future economic policy decisions of the new government and the resulting policy circumstances (Brogaard and Detzel 2015; Schiereck et al. 2016). In this way, the Trump's win can be viewed as a drastic change in government policy. Such policy changes are typically linked to a drop of stock prices, particularly if the uncertainty is greater (Pastor and Veronesi 2012; Bouoiyour and Selmi 2016 a). Once the political uncertainty is mitigated, stock prices would rise again (Pantzalis et al. 2000). In the case of 2016 US presidential election, investors and traders who some days prior to the election saw a Donald Trump victory as the heaviest downside risk to the share market, are now embracing the outcomes. After an initial notable collapse late Tuesday and early Wednesday, stocks rallied, with investors making quick recalculations on various sectors. While many Trump policy proposals are still vague and ill-defined, investors are betting that the Trump's promises will recharge the US economy by cutting taxes, rolling back regulation and boosting infrastructure spending. In other words, the basis for the rally is hopefulness about altering Obamanomics consisting of increasing taxes and improving regulation. Also, the Trump's zero-sum approach or "America is first" -in favour of isolationism- to encouraging investments at home and antagonizing partners abroad played a potential role in increasing shares in the short-run. But it must be stressed that regardless of the US market's resilience since the election, investors remain concerned about evolving volatility. Even though the US stocks haven't yet completely incorporated the long-term policy implications of the Trump administration, or how they could affect US industries. It is obvious that the stock markets would be so reactive at this stage.

But now that the Donald Trump's triumph has become fact, we believe that it is important to address some critical questions. What Trump's campaign certainly proclaim about industries? Is Trump's election victory good news for US investors? Does Trump's win divide US stock market into winners and losers? To offer some

answers to these questions, we carry out the standard market model event study methodology as originally described by Dodd and Warner (1983) and Brown and Warner (1985). In order to see the reactions of investors to the US presidential-elect outcome, this technique was applied for eight main sectors of US stock markets (financials, oil and gas, real estate, Consumer goods and services, defense, health care, technology and utilities).

Our results document that while the Trump's presidential victory has played a negative role on the valuation of Dow Jones Industrial Average, S&P 500 and Nasdaq Composite in the day event, a positive reaction for almost all sectors was found during the post-election period. One potential element of explanation is the Trump's pro-business stance, which involves expectations that he will abate regulation and cut corporate taxes; another is that investors seem optimistic about the improved infrastructure spending that Trump's campaign promises. Interestingly, the Trump triumph divides the US stocks into winners (with largest extent health care, oil and gas, real estate and defense) and losers (utilities and technology). This finding may be relevant for investors with respect portfolio construction and asset allocation.

The outline of the paper is as follows: Section 2 describes our methodology and provides a brief overview of the data. Section 3 reports and discusses the results. The same section looks at the robustness and consistency of our findings by testing the sensitivity of the obtained results to the inclusion of further control variables. Section 4 provides overall conclusions.

2. Data and methodology

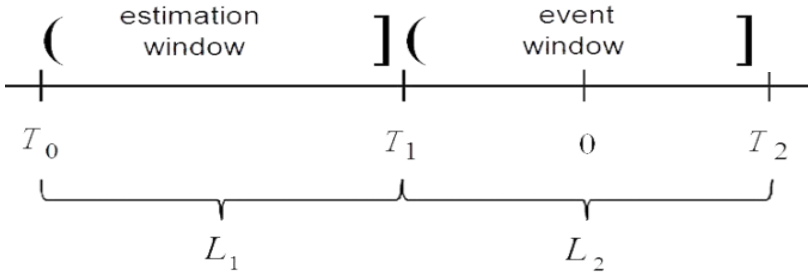
We focus our analysis on the 2016 US presidential election outcome and investigate the impact of the Trump's win on largest US companies in different sectors. The final result of the election was disclosed on Tuesday 08 November 2016, which we subsequently view as the announcement day. Our sample data include eight sectors of three US stock price indices: The Dow Jones Industrial Average tracks the prices of 30 widely-traded stocks on the New York Stock Exchange. This is the most known stock market index in the world but it is not representative of the market as a

whole. The Nasdaq Composite is the market capitalization-weighted index of approximately 3,000 common equities listed on the Nasdaq stock exchange. The Standard and Poor's 500 (S&P 500) Composite Stock Price Index covers the performance of 500 largest capitalization stocks.

For each index, the selected companies include financials (banks, insurance, reinsurance and financial services), oil and gas (oil and gas producers, oil equipment and services), real estate, consumer goods (household goods, home construction, personal goods and tobacco) and services (retail, media, travel and leisure), defense, pharmaceuticals, technology (software and computer services, and technology hardware and equipment) and Utilities (electricity, gas, power generation and water). Each sector index represents a capitalization-weighted portfolio of the largest S&P 500 companies in this sector. The data of sectoral Dow Jones Industrial Average, S&P 500, Nasdaq stock indices are available at Datastream database.

In practice, this paper uses the standard market model event study methodology as depicted by Dodd and Warner (1983) and Brown and Warner (1985). Before presenting the conducted procedure, we should point out that an event studies investigates the average stock market response to a well specified stock market event, by averaging among the same events in different companies, or at different times in the same company. The best findings with an event study are revealed when the exact date of the event is known or identified. We define the day "0" as the day of the event for a given equity. Thereafter, the estimation and event windows can be determined (Figure 2). The interval [T1+1, T2] is the event window with length L2=T2-T1-1, whereas the interval [T0+1, T1] is the estimation window with length L1=T1-T0-1. The length of the event window often depends on the ability to accurately date the announcement date. If one is able to date it precisely, the event window will be less lengthy and capturing the abnormal returns will be more proper and effective. We should mention here that the length of the event window including the event announcement days normally ranges between 21 and 121 days (Peterson 1989).

Figure 2. Event study windows



For our case of study, we use for each sector a maximum of 120 daily stock return observations for the period around the ultimate election result, beginning at day - 115 and ending at day + 5 relative to the event. The first 105 days (- 115 through -10) is denoted as "the estimation period", and the following 21 days (- 10 through + 10) is designated as "the event period". The cumulative abnormal return (CAR) for a sector *i* during the event window [τ_1 ; τ_2] surrounding the event day t = 0, where [τ_1 ;τ_2] = ∈ [−10 ;+10] , is expressed as follows:

$$CAR_{i,[\tau_1,\tau_2]} = \sum_{t=\tau_1}^{\tau_2}(R_{i,t} - \hat{\alpha}_i - \hat{\beta}_i R_{M,t}) \quad (1)$$

where $CAR_{i,[\tau_1,\tau_2]}$ is the cumulative abnormal return of share *i* during the event window [τ_1; τ_2], $R_{i,t}$ is the realized return of stock *i* on day *t*[2], $R_{M,t}$ is the return of the benchmark index of sector *i*, $\hat{\alpha}_i$ and $\hat{\beta}_i$ are the regression estimates from an ordinary least squares (OLS) regression for 105 trading day estimation period until t = −10. We utilize the Datastream's value-weighted total return stock market index of sector *i*'s country of origin as the benchmark index. We set our event day for the Trump's victory event to Tuesday 08 November 2016.

We apply, then, a regression analysis to identify the determinants of the observed cumulative abnormal return for each sector. The OLS regression to be estimated is denoted as:

$$CAR_{i,[\tau_1,\tau_2]} = \delta_0 + \delta_1 Trump + \delta_2 Size + \delta_3 Income + \varepsilon_i \quad (2)$$

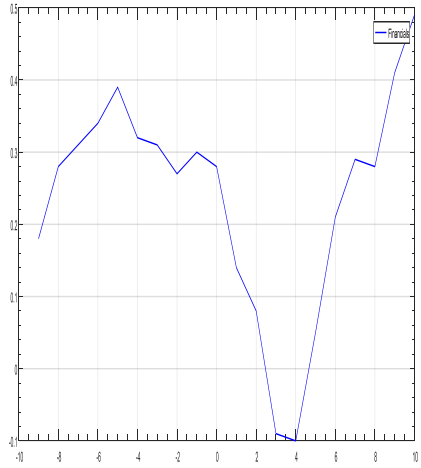
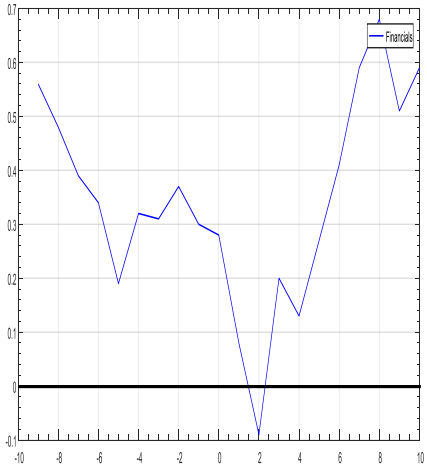
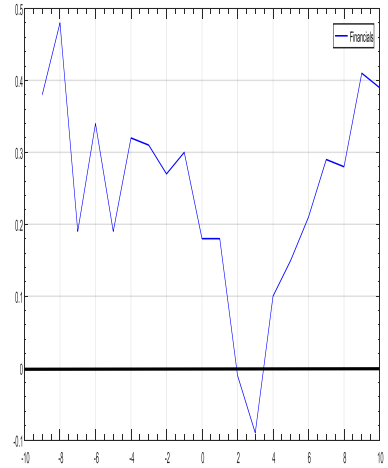
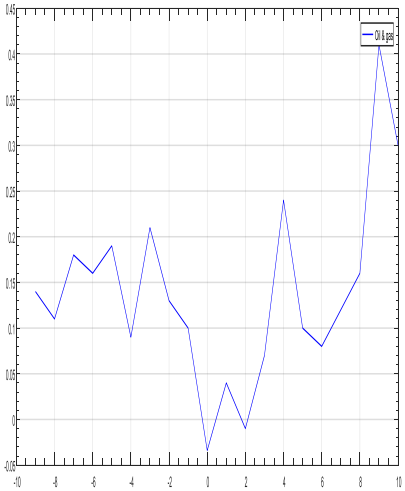
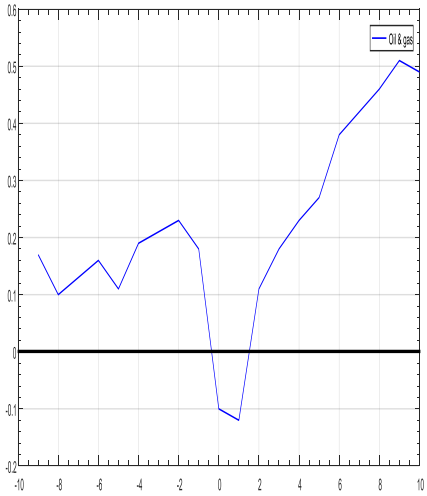
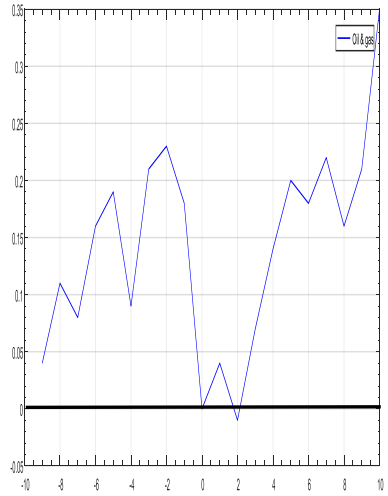
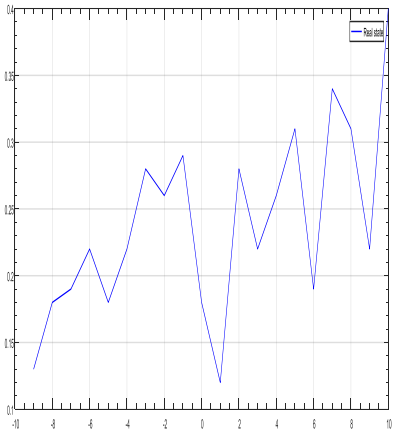
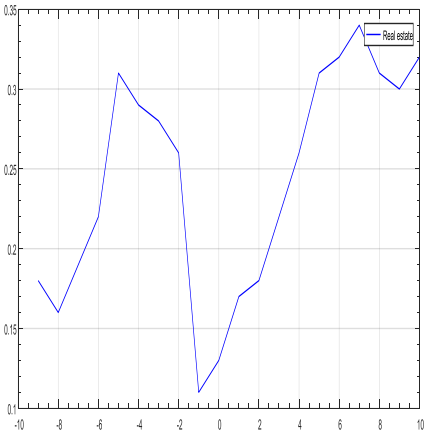
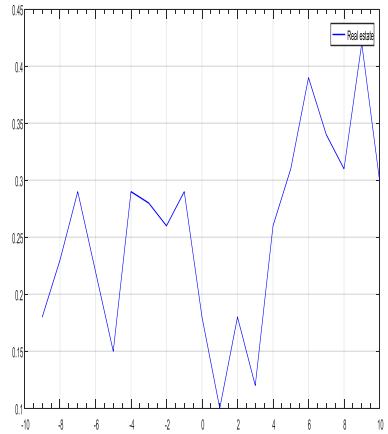
[2] Daily stock returns are calculated as the first natural logarithmic difference of the underlying stock price.

where $CAR_{i,[\tau_1,\tau_2]}$ is the dependent variable, *Trump* is a dummy variable which takes the value of one on the first day of trading after the US election outcome and zero otherwise, *size* is the logarithm of the total assets of a company in U.S. dollars in the year prior to the event, and the *Income* is the logarithm of the net income of a company in dollars in the year prior to the event, and ε_i is the error term. The explanatory variables "*size*" and "*Income*" were chosen based on recent event studies showing that the largest companies are more threatened by sudden events or political changes, and the response of stocks to uncertainty surrounding an event may depend on the net income of a firm in the year before the occurrence of the event (Kolaric and Schiereck 2016; Bouoiyour and Selmi 2016).

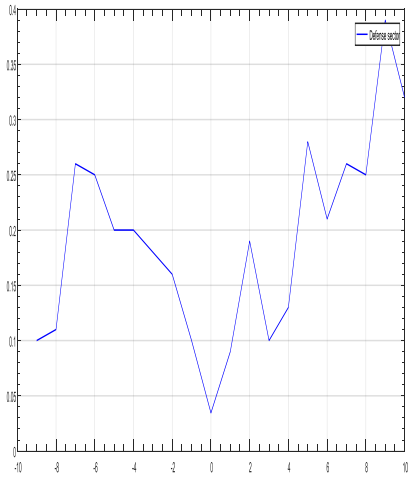
3. Results

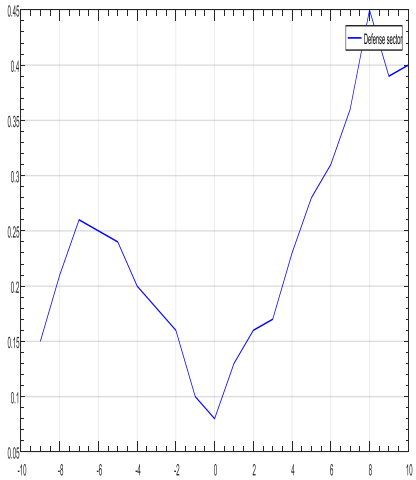
Figure 3 charts the CAAR performance of different sectors of three US stock price indices (Dow Jones Industrial Average, S&P 500 and Nasdaq Composite) surrounding the Trump's victory announcement on 08 November 2016. We clearly note that US stock markets' responses to the election outcome is not uniform across industries either for the announcement day or the [−10; + 10] event window. In other words, while all companies face increasing uncertainty, the Trump's win had varying sectoral effects. A sharp decrease in stock values surrounding the election result is later reversed by a jump in share prices on the next day. Potentially, Donald Trump triumph seems associated to severe stock prices declines for all the sectors on the day relative to the announcement of US election results (t=0). However, we show that the majority of sectors rebounded (with the exception of technology and utilities); this holds for the three US markets under study. Many analysts rallied around the fact Trump is a successful manager, deemed to be pro-capitalist and anti-regulation. Also, investors and traders have bet the newly US president will deliver on some of his most basic campaign promises including spending largely on infrastructure and cutting corporate taxes.

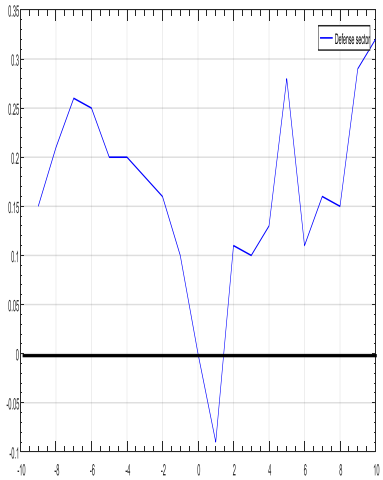
Figure 3. Cumulative abnormal return of US stock indices by sector: [−10; + 10] event window

Dow Jones Industrial Average	S&P 500	Nasdaq Composite
Financials		
		
Oil and gas		
		
Real estate		
		

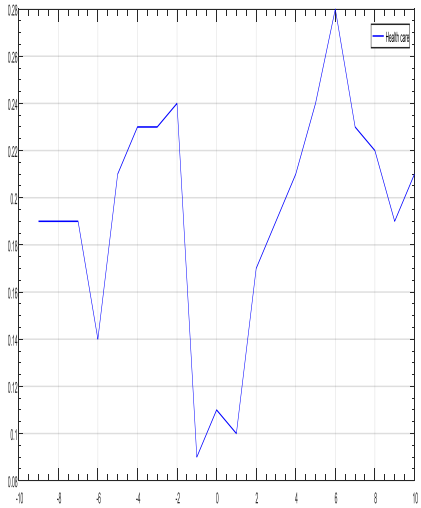
Defense sector

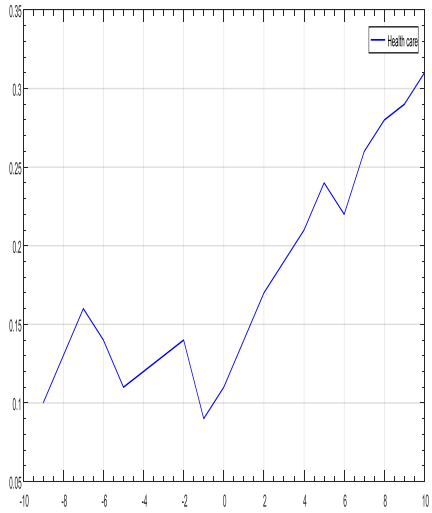


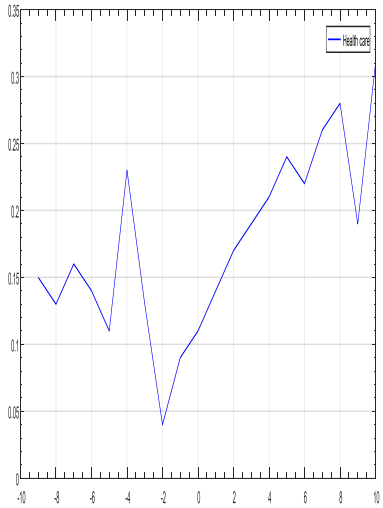




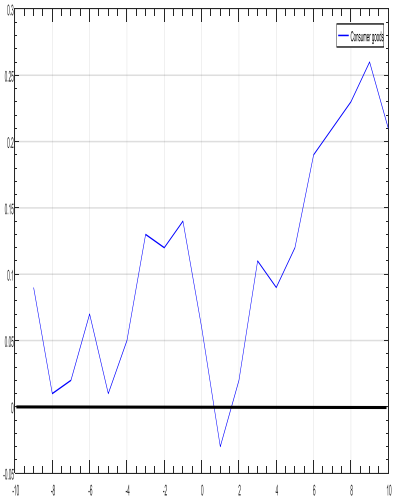
Health care

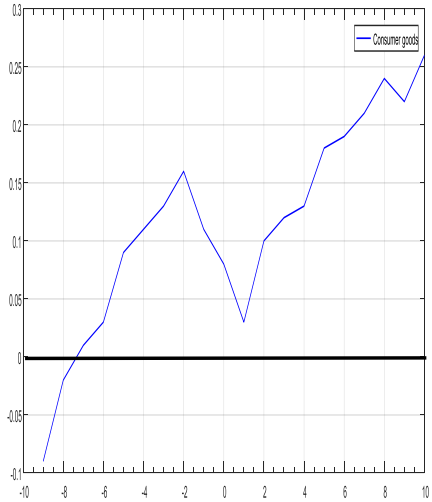


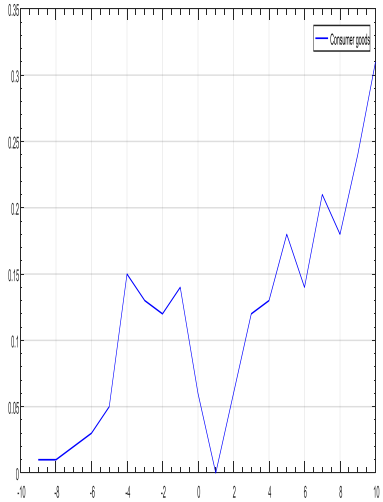


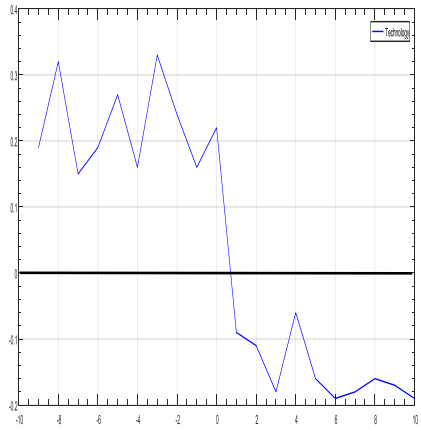
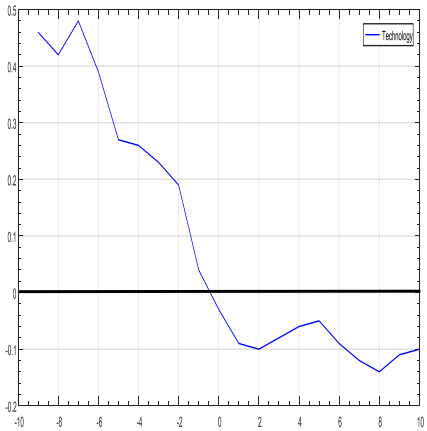
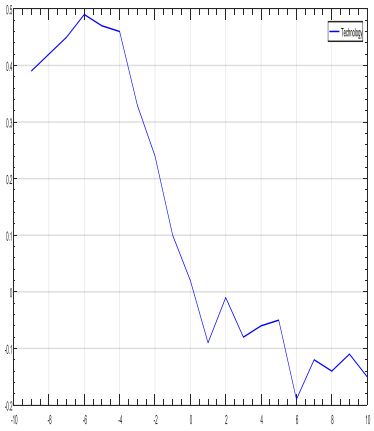
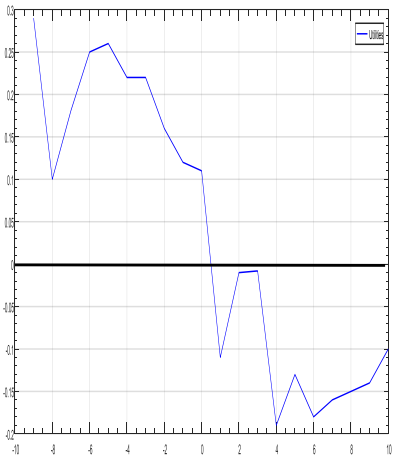
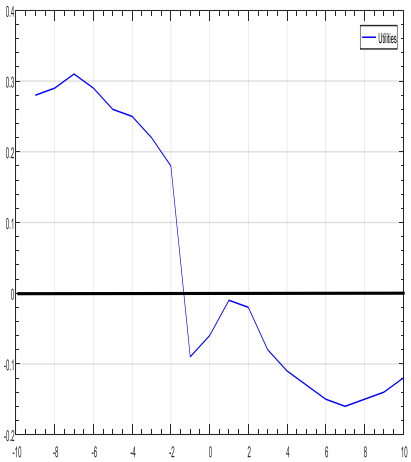
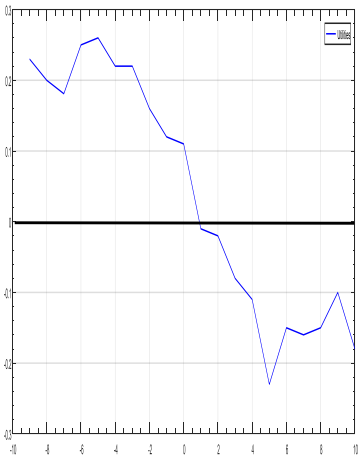


Consumer goods and services







Technology		
		
Utilities		
		

The results of the stock event study for Dow Jones Industrial Average, S&P 500 and Nasdaq Composite are displayed in Table 1. We find that the Trump's victory announcement (i.e., the event day [0; 0]) resulted in statistically significant negative CARs, being somewhat stronger for utilities, technology, oil and gas, financials and defense (in this order) than for consumer goods and services, real estate and health care. Overall, it appears that Donald Trump's win had market-wide repercussions, leading to a decline of all the companies for the three considered US stock markets, but the collapse of pharmaceutical share prices (in particular) seems not as severe. The same sectors which struggled after the election, show positive reactions during the [+ 1; +10] event window, except utilities and technology which appear more damaged during the post-election period.

Financials reacted rapidly and positively to Trump victory; thus, this sector ended higher after starting the session (day event [0; 0]) with sharp losses. One of the major causes for the jump seems to be because Donald Trump is expected to lessen regulation hampering bank profitability.

Also, the response of oil and gas market bounced back after the presidential election outcome ([+1; +10] event window) as Trump declared his desire to revive the energy sector. The ultimate US election result comes as good news for both crude oil and natural gas due to President-elect Trump plans to minimize regulatory restrictions on crude and gas exploration. In addition, the new Trump's administration will benefit the fossil fuel business and independent oil and gas drillers, promising few regulations on issues such as methane emissions from oil and gas drilling, ozone rules and renewable fuels, and higher access to federal lands. Furthermore, Trump has expressed displeasure for alternative forms of energy, describing them as expensive and needing largest subsidies to work appropriately. In this context, the Trump administration stated that it would reform all forms of energy while trying to reflect their true costs. However, despite these fruitful promises, the reaction of this sector to Trump's win seems weaker. This may be due to the fact that renewable energy industries palpitated at the prospect of less commitment to reforms that unhurried climate change.

Differently, real estate does not react negatively to the announcement of Trump victory as the rest of sectors. The US election outcome exerts a positive influence on the housing sector during the day event and the [+1; +10] window event, even if we note a slight increase after the election results. Not surprisingly, for the first time in history, home builders and real estate businessman see one of their own becoming the elect-US president. They are optimistic about Donald Trump stimulating this sector, in the form of lower tax rates or enhancement of roads, bridges, public transit and wider infrastructure spending. Nonetheless, Trump's eloquence on immigration could concern housing investors in big cities such as New York and San Francisco. With Trump's "America First" approach to alienating partners abroad, America will become more isolated and less open, which could seriously impede the international demand

for US luxury housing since the foreign buyers constitute a large part of the real estate market.

The consumer goods and services sector is also one of the winners from Trump victory. While its response to the announcement of Trump's win was negative, it bounced back after the event day. This reflects a rise in the consumer confidence[3], showing that Americans became more optimistic about their finances and the economy after Trump victory. Nevertheless, some of the Trump's proclamations during his campaign exacerbated doubts about globalization and some trade deals, resulting more expensive imported products due to excise taxes that could unhurt consumer goods.

Further, our findings indicate that defense sector is one of the winners from the Trump's presidential win. While the announcement of the election outcome had first affected negatively (but moderately) this sector, we notice a positive response of defense firms during the post-election period as investors in this sector believe that they would post larger benefits under Trump presidency. We can attribute this result to the new administration promises to increase the size of the Army and the Marine Corps, build newly ships for the Navy and to overhaul the aerial warfare service branch, and modernize the nuclear arsenal.

Our results reveal that the health care is the biggest winner from Trump victory given to its heavier support of the pharmaceutical sector and because the drug pricing reforms, proposed by Hillary Clinton's campaign, seem unlikely to materialize. In brief, during [+1; +10], pharmaceutical shares are likely to bounce upward as investors expected relief from the stronger scrutiny of drug prices. Indeed, the health-care industry would gain from the Affordable Care Act; more people bought insurance and had better access to medical care.

However, utilities and technology seem the most damaged from Trump's triumph. Utilities, especially those levered to natural gas, solar and other renewables, dropped markedly following the victory for Donald Trump. This may mainly due to the Trump's condemnatory proponent of punishing those firms who move facilities out

[3] The University of Michigan claimed that the index of consumer sentiment increased from 87.2 in October to 93.8 in the post-election period.

of America, in particular to Mexico. Regarding the technology sector, the Trump campaign made little outreach to issues influencing the tech industry. This little interest may be contradictory with the Trump's campaign message to spur US economic growth. In fact, the tech industry accounts for 12 percent of all jobs, according to the US Bureau of Labor Statistics, and thus the neglect of effective technology policies will have detrimental impact on America's economic development and competitiveness. Further, the Trump's opposition to H1B visas[4] for high-skilled immigrants will harm substantially the capability of US tech firms to hire the engineers, data scientists and the information technology workers they need from other countries.

Moreover, the size of the firm is likely to exert significant and negative influence on all the US stock market sectors and across the [0; 0] and [+1; +10] event windows, highlighting that biggest companies are likely to be more harmed by the uncertainty surrounding Trump's presidency. The profits of US firms do not help to consistently explain the Dow Jones, S&P 500 and Nasdaq evolutions, as the net income exerts a weak and positive influence on limited sectors (financials and oil and gas for Dow Jones, oil and gas and real estate for S&P 500, and financials, oil and gas and technology for Nasdaq).

[4] H1B visas are designed to allow US employers to recruit foreign professionals in specialty occupations within the America for well specified period of time.

Table 1. Sectoral Trump's impacts on US stock markets

	Financials	Oil and gas	Real estate	Consumer goods & services	Defense	Health care	Technology	Utilities
Dow Jones Industrial Average								
Event day [0 ; 0]								
Constant	0.347377	0.450940*	0.227745*	0.565629	-0.01710	0.391338*	0.451239*	0.290433
	(0.2900)	(0.0465)	(0.0806)	(0.9331)	(0.9819)	(0.0315)	(0.0616)	(0.5893)
Trump	-0.18336*	-0.196***	0.08427*	-0.104**	-0.0220*	0.09586*	-0.24193**	-0.2797*
	(0.0991)	(0.0008)	(0.0929)	(0.0010)	(0.0314)	(0.0527)	(0.0042)	(0.0298)
Size	-0.13556*	-0.10943*	-0.08303*	-0.028**	-0.1424*	0.454829	-0.228905*	-0.1495*
	(0.0799)	(0.0634)	(0.0309)	(0.0073)	(0.0497)	(0.2674)	(0.0474)	(0.0598)
Income	0.011872*	0.009439*	-0.458641	0.296641	0.267590	0.225881	0.111417	-0.18673
	(0.0447)	(0.0573)	(0.3425)	(0.1530)	(0.3456)	(0.6197)	(0.7636)	(0.3569)
Adjusted R^2	0.76	0.72	0.68	0.73	0.72	0.69	0.71	0.70
Event window [+1; +10]								
Constant	-0.69819	-0.76422*	-0.17454*	-0.52364	-0.5087*	0.72374	-0.34853*	-0.510**
	(0.6079)	(0.0111)	(0.0597)	(0.1621)	(0.0719	(0.2369)	(0.0145)	(0.0052)
Trump	0.136414*	0.03571**	0.132134*	0.06822*	0.1143**	0.15123**	-0.432937*	-0.3186*
	(0.0425)	(0.0058)	(0.0326)	(0.0519)	(0.0039)	(0.0032)	(0.0757)	(0.0436)
Size	-0.11819*	-0.0808**	-0.01213*	-0.092**	-0.1256*	0.486343	-0.15750*	-0.0819*
	(0.0556)	(0.0086)	(0.0538)	(0.0091)	(0.0987	(0.4007)	(0.0833)	(0.0475)
Income	0.477612	0.30338	0.523564	-0.38591	0.247740	0.224828	-0.112774	-0.28015
	(0.3151)	(0.6116)	(0.2200)	(0.3690)	(0.9263)	(0.7170)	(0.3336)	(0.3597)
Adjusted R^2	0.69	0.73	0.75	0.66	0.71	0.68	0.72	0.77
S&P 500								
Event day [0 ; 0]								
Constant	0.123325	0.022084	-0.158571	0.681004	1.902***	-0.14387*	0.768447	1.324402
	(0.7852)	(0.9230)	(0.8568)	(0.9246)	(0.0001)	(0.0627)	(0.5001)	(0.3210)
Trump	-0.22762*	-0.17314**	0.06725**	-0.107998	-0.04***	-0.09194*	-0.164791*	-0.2198*
	(0.0140)	(0.0060)	(0.0015)	(0.9217)	(0.0003)	(0.0453)	(0.0577)	(0.0705)
Size	-0.091***	-0.032545*	-0.018***	0.467872	-0.063**	0.077173	-0.02335*	0.501412
	(0.0002)	(0.0858)	(0.0007)	(0.8537)	(0.0067)	(0.8202)	(0.0140)	(0.1683)
Income	0.8652	0.046024	0.0101***	0.467872	1.37319	0.072543	0.574093	0.49106
	(0.5432)	(0.8430)	(0.0000)	(0.7703)	(0.6280)	(0.8246)	(0.6633)	(0.6697)
Adjusted R^2	0.80	0.77	0.76	0.74	0.78	0.81	0.79	0.76
Event window [+1; +10]								
Constant	-0.410881	1.719321**	-1.1352**	0.830045	-0.57009	0.543286	4.9476***	0.28161
	(0.2782)	(0.0053)	(0.0025)	(0.2482)	(0.1130)	(0.5308)	(0.0000)	(0.2524)
Trump	0.154489*	0.069904**	0.1213*	0.08754**	0.10693*	0.202787*	-0.1938***	-0.2510*
	(0.0696)	(0.0074)	(0.0398)	(0.0015)	(0.0580)	(0.0826)	(0.0003)	(0.0975)
Size	-0.04763*	0.778487	-0.0415*	0.110998	-0.52455	-0.07939*	-0.04804*	-0.082**
	(0.0364)	(0.4319)	(0.0749)	(0.8754)	(0.2938)	(0.0910)	(0.0156)	(0.0063)
Income	-0.453015	0.009104*	0.0193*	0.159883	-0.50311	-0.25518	0.6702	0.250096
	(0.1288)	(0.0355)	(0.0670)	(0.8280)	(0.3755)	(0.6731)	(0.3561)	(0.3995)
Adjusted R^2	0.79	0.78	0.77	0.74	0.80	0.76	0.75	0.71
Nasdaq Composite								
Event day [0 ; 0]								

Constant	0.347377	-0.017100	0.565629	0.891338*	0.626499	0.45864**	1.861390	0.250209
	(0.2900)	(0.9819)	(0.9331)	(0.0315)	(0.1330)	(0.0025	(0.1835)	(0.5616)
Trump	-0.28365*	-0.147745*	0.044381*	-0.1456**	-0.0509*	-0.0828**	-0.29489**	-0.310**
	(0.0991)	(0.0806)	(0.0210)	(0.0027)	(0.0465)	(0.0014)	(0.0016)	(0.0042)
Size	-0.03568*	-0.044272*	-0.0889**	0.454829	0.186233	0.142460	-0.099722*	-0.0290*
	(0.0799)	(0.0929)	(0.0083)	(0.2674)	(0.6608)	(0.8497)	(0.0343)	(0.0474)
Income	0.531872	0.033039*	0.896641	0.225881	0.309439	0.267590	0.023482**	0.111417
	(0.2447)	(0.0309)	(0.3530)	(0.6197)	(0.4634)	(0.7445)	(0.0095)	(0.7636)
Adjusted R^2	0.79	0.77	0.81	0.86	0.82	0.78	0.77	0.80
Event window [+1; +10]								
Constant	-0.098197	-0.508746*	-8.841***	-0.5052**	-0.7664*	0.723704	-2.409586	-0.3179*
	(0.6079)	(0.0719	(0.0004)	(0.0052)	(0.0111)	(0.2369	(0.1673)	(0.0224)
Trump	0.136414*	0.044386**	0.03986**	0.10863*	0.1135**	0.192123*	-0.377970*	-0.3485*
	(0.0425)	(0.0039)	(0.0089)	(0.0436)	(0.0058)	(0.0632)	(0.0292)	(0.0145)
Size	-0.01819*	0.125603	-0.075701	-0.01093*	-0.090**	-0.08634*	-0.043457*	-0.0329*
	(0.0556)	(0.7987	(0.3316)	(0.0475)	(0.0086)	(0.0307)	(0.0475)	(0.0757)
Income	0.00761*	0.047740	0.141960	0.08015	-0.9033	0.224828	0.664509	-0.15755
	(0.0151)	(0.9263	(0.2725)	(0.2697)	(0.2116)	(0.7170	(0.8312)	(0.1833)
Adjusted R^2	0.76	0.75	0.75	0.72	0.70	0.81	0.83	0.78

Notes: All regressions are controlled for heteroskedasticity and the p-values are given in parentheses. *, **, *** denote statistical significance at the 10%, 5% and 1% levels, respectively.

4. Robustness check

There exist different ways to ascertain whether our results are fairly solid. In this study, to check the robustness of our findings, we have tested their sensitivity to the inclusion of further control variables. In general, global financial and economic factors could be channels through which fluctuations in the world's economic and financial conditions are transmitted to the different sectors of US stock markets. These factors include the US volatility index (VIX), and the world gold price (gold). Supplementary control variables have been incorporated including silver and Bitcoin prices. The precious metals (gold and silver) have been largely perceived as a hedge against sudden shocks and also a safe haven over extreme stock market fluctuations. In the present study, we tried to see if US investors still rush to precious metals over the announcement of US presidential election results or if they get scared to seek out gold and silver. According to Baur and McDermott (2010), we characterize safe havens by their negative and significant correlations with asset markets during financial turmoil or troubled times. Moreover, the literature in finance field has been frequently relied on proxies of uncertainty, most of which have the advantage of being directly

observable. Such proxies include the implied volatility of stock returns (i.e., VIX). The interest here is to use an index that reflects more adequately the great anxiety over US presidential election. The volatility index is a sentiment indicator that allows determining when there is too much optimism or pessimism in the market. Also, we should point out that VIX responds sensitively to all events (reflecting both economic and geopolitical issues) that may cause uncertainty, and the Trump's win is no exception. Overall, it helps reaching further insights about how the stock markets react to global market news. The Bitcoin is a relatively new phenomenon created in 2009. It is a peer-to-peer network that allows the transfer of ownership without the need of a third party. Bitcoin is regarded as the best-known digital currency to date. Although some consider Bitcoin to be a major financial innovation in recent years (Ciaian et al. 2014; Bouoiyour et al. 2016 b), others suggest that the excessive volatility observed in this market is a major concern (Yermack 2014). The Bitcoin's climb alongside the announcement of Trump's victory has led some to proclaim it as a "digital gold" and affirm its validity as a safe haven investment.

In brief, the equation to be estimated is denoted as:

$$CAR_{i,[\tau_1,\tau_2]} = \lambda_0 + \lambda_1 Event + \lambda_3 Size + \lambda_4 Income_t + \lambda_5 VIX_t + \lambda_6 Gold_t + \lambda_7 Silver_t + \lambda_8 Bitcoin_t + \xi_i \quad (3)$$

where $CAR_{i,[\tau_1,\tau_2]}$ is the cumulative abnormal returns and ξ_i is the error term.

The results are reported in Table 2. We show that the consideration of additional control variable have not fundamentally changed our findings for the three stock price indices studied; this holds true over [0; 0] event day and [+1; +10] event window. We robustly document that the announcement of the Trump's win in 2016 US election exerted a varying effects across US companies. Specifically, it divided the US markets (in particular, Dow Jones, S&P 500 and Nasdaq) into losers (technology and utilities) and winners (health care, oil and gas, real estate, defense, financials and consumer goods and services). The size of company affects negatively the US stock market sectors, sustaining the evidence that largest firms are more exposed to uncertainty surrounding Trump's presidency than smallest companies. The profits of US firms do not exert strong impact the performance of the companies. The implied volatility index has a negative influence on the different sectors of US stocks,

indicating that the stock returns decrease as the VIX increases. In addition, the precious metals (gold and with less extent silver) have a negative influence on the abnormal cumulative returns for almost all the industries. Typically, when the economy witnessed an evolving volatility that may impede shares' valuation, investors may shift their funds from stocks and invest them in the gold and silver markets until the economy rebounds. In this context, precious metals could act as a stabilizer control in investment portfolios, and play as safe haven during turbulent times (Baur and Lucey 2010). Besides, Bitcoin price is likely to have a negative and significant impact on US companies. Remarkably, the effect of Bitcoin on stocks seems more pronounced than that of gold and silver. Although Bitcoin spikes after the announcement of the US election outcome spotlights a new confidence in Bitcoin as a safe haven, investment professionals have been heavily reluctant to give this nascent crypto-currency such status. Given the great anxiety over Trump's victory, it is obvious that investors will try to seek an easy and secure alternative. Our results suggest the ability of Bitcoin, gold and silver (in this order) to act as a safe haven during uncertain periods. Nevertheless, dubbing Bitcoin a safe haven obfuscates the fact that bitcoin is a high-risk, volatile and speculative investment.

Table 2. Sectoral Trump's impacts on US stock markets: Inclusion of further control variables

	Financials	Oil and gas	Real estate	Consumer goods & services	Defense	Health care	Technology	Utilities
Dow Jones Industrial Average								
Event day [0 ; 0]								
Constant	1.6223***	-1.613535*	-1.0468*	-0.5408*	0.9785**	0.663966	0.796386*	1.108502
	(0.0000)	(0.0164)	(0.0154)	(0.0439)	(0.0041)	(0.1700)	(0.0304)	(0.1989)
Trump	-0.162***	-0.171225*	0.063***	-0.10543	-0.048**	0.07307*	-0.18619**	-0.2359*
	(0.0000)	(0.0200)	(0.0007)	(0.7025)	(0.0037)	(0.0174)	(0.0074)	(0.0474)
Size	-0.085***	0.100477	-0.046***	-0.27732	-0.07***	-0.0530**	-0.08249**	-0.0919*
	(0.0000)	(0.5297)	(0.0003)	(0.5309)	(0.0008)	(0.0040)	(0.0012)	(0.0377)
Income	0.0157***	0.478110	-1.3087	-0.812805	0.510256	0.006439*	0.002378**	0.10406
	(0.0000)	(0.2239)	(0.5076)	(0.7197)	(0.2346)	(0.0233)	(0.0028)	(0.5851)
VIX	-0.226***	-0.122072	-0.111313	-0.09861*	-0.1158*	-0.09687*	-0.14102**	-0.0984*
	(0.0000)	(0.1927)	(0.2324)	(0.0865)	(0.0137)	(0.0672)	(0.0059)	(0.0126)
Gold	-0.138***	-0.134937*	-0.081748	-0.05799*	-0.1217*	-0.1078*	-0.09369**	-0.0931*
	(0.0000)	(0.0550)	(0.4473)	(0.0153)	(0.0173)	(0.0306)	(0.0016)	(0.0460)
Silver	-0.026***	-0.049471*	-0.236187	-0.0246**	-0.0221*	0.092213	-0.00369**	0.016201
	(0.0000)	(0.0279)	(0.2954)	(0.0050)	(0.0235)	(0.2164)	(0.0036)	(0.2761)
Bitcoin	-0.249***	-0.153349*	-0.18407*	-0.141***	-0.129**	0.543518	-0.144249*	-0.1102*
	(0.0002)	(0.0591)	(0.0885)	(0.0007)	(0.0095)	(0.4610)	(0.0131)	(0.0202)
Adjusted R^2	0.93	0.92	0.88	0.90	0.87	0.86	0.91	0.92
Event window [+1; +10]								
Constant	0.526160	1.162812	1.1717***	-0.27057*	-1.059**	-0.32362	0.255759*	0.235810
	(0.4906)	(0.5185)	(0.0000)	(0.0426)	(0.0071)	(0.7345)	(0.0855)	(0.6221)
Trump	0.160213*	0.08235**	0.1442***	0.08889*	0.1239**	0.1755**	-0.35759*	-0.262**
	(0.0941)	(0.0080)	(0.0000)	(0.0261)	(0.0010)	(0.0038)	(0.0705)	(0.0059)
Size	0.028896*	0.157778	0.0218***	0.0032**	0.0104**	0.30766	-0.498615	0.0064*
	(0.0137)	(0.5319)	(0.0000)	(0.0030)	(0.0022)	(0.3396)	(0.8096)	(0.0152)
Income	0.00154*	0.149428	0.0068***	0.4612	-0.879	-0.06164	-0.005152	0.6190
	(0.0257)	(0.5187)	(0.0000)	(0.2353)	(0.1168)	(0.2067)	(0.9976)	(0.3028)
VIX	-0.0973**	-0.12142**	-0.110***	-3.3430	-0.0588*	-0.1569*	-0.46367**	0.3756*
	(0.0052)	(0.0038)	(0.0000)	(0.2693)	(0.0316)	(0.0341)	(0.0032)	(0.0168)
Gold	-0.0688**	0.301423	-0.111***	-0.1017*	-0.086**	-0.0667**	-0.09479*	-0.0764*
	(0.0015)	(0.2356)	(0.0000)	(0.0933)	(0.0046)	(0.0087)	(0.0943)	(0.0230)
Silver	-0.0107**	-0.00310*	-0.001***	-0.00361*	-0.59934	-0.0060**	-0.00266*	-0.0068*
	(0.0011)	(0.0372)	(0.0000)	(0.0302)	(0.3012)	(0.0079)	(0.0780)	(0.0943)
Bitcoin	-0.1782**	-0.092282*	-0.131***	-0.1093**	-0.1049*	-0.152***	-0.98847	-0.14***
	(0.0012)	(0.0441)	(0.0000)	(0.0087)	(0.0743)	(0.0005)	(0.1298)	(0.0002)
Adjusted R^2	0.88	0.86	0.89	0.90	0.87	0.88	0.91	0.86
S&P 500								
Event day [0 ; 0]								
Constant	0.580116	0.748055	0.402721	0.338153	-1.18***	-0.6286*	0.565019	0.847395
	(0.5071)	(0.3617)	(0.7487)	(0.3371)	(0.0000)	(0.0109)	(0.2963)	(0.6548)
Trump	-0.15359*	-0.1713**	0.04688*	-0.1181**	-0.03***	0.05231*	-0.2684**	-0.3048*
	(0.0739)	(0.0080)	(0.0327)	(0.0026)	(0.0000)	(0.0218)	(0.0077)	(0.0465)

Size	0.308786	1.180459	0.146793	-0.02980*	-0.006**	-0.11723	0.069456	-0.0090*
	(0.7400)	(0.1588)	(0.1538)	(0.0207)	(0.0014)	(0.4120)	(0.2391)	(0.0101)
Income	0.173006	1.116097	1.618131	0.002198*	0.008***	-0.180776	0.259222	0.0094*
	(0.8519)	(0.1910)	(0.2087)	(0.0185)	(0.0000)	(0.4638)	(0.6067)	(0.0899)
VIX	-0.14850*	-0.12156*	-0.12728*	-0.06072*	-0.09***	-0.05521*	-0.15945**	-0.3990*
	(0.0706)	(0.0317)	(0.0245)	(0.0105)	(0.0000)	(0.0955)	(0.0079)	(0.0897)
Gold	-0.09872*	-0.117354*	-0.1404**	-0.072***	-0.13***	-0.10638*	-0.14314**	-0.0258*
	(0.0603)	(0.0155)	(0.0060)	(0.0091)	(0.0000)	(0.0140)	(0.0039)	(0.0848)
Silver	-0.00837*	-0.00389*	-0.0051**	-0.004***	-0.001**	-0.00842*	-0.53942	-0.0046*
	(0.0825)	(0.0250)	(0.0030)	(0.0002)	(0.0012)	(0.0714)	(0.3617)	(0.0781)
Bitcoin	-0.1706**	-0.21649**	-0.187***	-0.192***	-0.103**	-0.0906**	-0.10261*	-0.1475*
	(0.0047)	(0.0091)	(0.0002)	(0.0001)	(0.0046)	(0.0019)	(0.0963)	(0.0498)
Adjusted R^2	0.88	0.89	0.90	0.91	0.93	0.87	0.89	0.94
Event window [+1; +10]								
Constant	-1.636***	-1.96539	-0.40923*	0.521058	-0.4009*	-1.654***	1.201386**	0.347377
	(0.0000)	(0.0000)	(0.0352)	(0.3894)	(0.0305	(0.0000)	(0.0037)	(0.2900)
Trump	0.126***	0.06539***	0.11132*	0.063870	0.1027**	0.1665***	-0.31386**	-0.3836*
	(0.0000)	(0.0000)	(0.0294)	(0.1884)	(0.0066)	(0.0000)	(0.0064)	(0.0991)
Size	-0.009***	-8.986810	-0.046***	0.634510	-0.0016*	-0.0013**	-0.0041***	0.635568
	(0.0000)	(0.0000)	(0.0002)	(0.1843)	(0.0133)	(0.0045)	(0.0001)	(0.1799)
Income	0.0130***	-0.98681	0.0024***	0.290433	-0.10729	-0.488765	0.00416***	0.131872
	(0.0000)	(0.0000)	(0.0000)	(0.5893)	(0.3732)	(0.6532)	(0.0000)	(0.2447)
VIX	-0.144***	-0.1432***	-0.130***	-0.16667*	-0.1478*	-0.119***	0.09653***	-0.1264*
	(0.0000)	(0.0000)	(0.0000)	(0.0290)	(0.0997)	(0.0000)	(0.0001)	(0.0330)
Gold	-0.090***	-0.0533***	-0.110***	-0.09952*	-0.1392*	-0.137***	-0.0695***	-0.059**
	(0.0000)	(0.0000)	(0.0000)	(0.0598)	(0.0851)	(0.0000)	(0.0008)	(0.0065)
Silver	-0.002***	-0.0042***	-0.0031**	-0.0035**	-0.0193*	-0.078***	-0.0194***	-0.018**
	(0.0000)	(0.0000)	(0.0010)	(0.0099)	(0.0166)	(0.0000)	(0.0002)	(0.0068)
Bitcoin	-0.105***	-0.1047***	-0.148***	-0.10351*	-0.0939*	-0.086***	-0.09140**	-0.1094*
	(0.0000)	(0.0000)	(0.0000)	(0.0950)	(0.0385)	(0.0000)	(0.0095)	(0.0634)
Adjusted R^2	0.91	0.88	0.86	0.94	0.91	0.89	0.90	0.90
Nasdaq Composite								
Event day [0 ; 0]								
Constant	-1.01718	0.565629	0.891338*	-0.17745*	-0.09819	-0.50874*	-0.8418***	-0.505**
	(0.9819)	(0.9331)	(0.0315)	(0.0597)	(0.6079)	(0.0719	(0.0004)	(0.0052)
Trump	-0.17745*	-0.204381	0.045861	-0.11213*	-0.0164*	0.084386	-0.23986**	-0.3186*
	(0.0806)	(0.9210)	(0.1527)	(0.0326)	(0.0425)	(0.0039	(0.0089)	(0.0436)
Size	-0.01427*	-0.088889	0.054829	-0.01213*	-0.1181	0.125603	-0.175701	-0.1109
	(0.0929)	(0.8403)	(0.2674)	(0.0538)	(0.2556)	(0.7987	(0.3316)	(0.4475)
Income	0.003039*	0.006641	0.025881	-0.023564	0.0076*	0.047740	-0.141960	0.0001*
	(0.0309)	(0.3530)	(0.6197)	(0.2200)	(0.0151)	(0.9263	(0.2725)	(0.0697)
VIX	-0.0864**	-0.10139*	-0.0529**	-0.1235**	-0.1164*	0.723704	-0.10958*	-0.1179*
	(0.0025)	(0.0835)	(0.0016)	(0.0021)	(0.0111)	(0.2369	(0.0673)	(0.0224)
Gold	-0.0828**	-0.154893*	0.650977	-0.1682**	-0.135**	0.792123	-0.07970*	-0.1285*
	(0.0014)	(0.0216)	(0.1142)	(0.0079)	(0.0058)	(0.1632	(0.0292)	(0.0145)
Silver	0.142460	-0.009722*	0.228905	-0.492015	-0.0063*	-0.0063**	-0.003457*	-0.0129*
	(0.8497)	(0.0343)	(0.5474)	(0.2691)	(0.0486)	(0.0054)	(0.0475)	(0.0757)
Bitcoin	-0.13759*	-0.14348**	0.15141*	-0.0859**	-0.1433*	-0.12482*	-0.14509*	-0.1575
	(0.0445)	(0.0095)	(0.0636)	(0.0090)	(0.0116)	(0.0170)	(0.0312)	(0.1833)
Adjusted R^2	0.89	0.88	0.90	0.84	0.89	0.90	0.89	0.87

Event window [+1; +10]								
Constant	0.3669***	0.2875*	0.561309	1.01605	0.6805	0.20184**	0.11768***	0.2413**
	(0.0000)	(0.0891)	(0.3556)	(0.4934)	(0.8022)	(0.0032)	(0.0006)	(0.0022)
Trump	0.1669***	0.039852**	0.156533*	0.07958**	0.1328**	0.18036*	-0.34765*	-0.3615*
	(0.0000)	(0.0097)	(0.0939)	(0.0040)	(0.0099)	(0.0124)	(0.0110)	(0.0421)
Size	-0.0109**	-0.028864*	0.365453	6.587480	0.152158	0.003	0.236	-0.056*
	(0.0038)	(0.0433)	(0.6230)	(0.1445)	(0.6128)	(0.7651)	(0.5592)	(0.0133)
Income	0.00199**	0.626058	0.153943	0.006572*	0.006276	0.3176	0.141541	0.00213*
	(0.0026)	(0.1017)	(0.8581)	(0.0386)	(0.9833)	(0.1056)	(0.5518)	(0.0625)
VIX	-0.1157**	0.584548	-0.08684*	-0.1467**	0.295877	0.11523*	-0.0806**	-0.076**
	(0.0028)	(0.1119)	(0.0227)	(0.0047)	(0.3136)	(0.0904)	(0.0089)	(0.0018)
Gold	-0.1295**	-0.07967**	0.327995	-0.10747*	-0.1355*	-0.1048**	-0.09643**	-0.042**
	(0.0026)	(0.0011)	(0.6996)	(0.0162)	(0.0763)	(0.0061)	(0.0057)	(0.0049)
Silver	-0.0085**	-0.00166**	-0.0054**	-0.00781*	0.184704	-0.00345*	-0.0032***	-0.01***
	(0.0049)	(0.0020)	(0.0000)	(0.0389)	(0.5558)	(0.0512)	(0.0005)	(0.0002)
Bitcoin	-0.1486*	-0.14459*	-0.1730**	-0.10645*	-0.1319*	-0.1249*	-0.1042**	-0.1245*
	(0.0141)	(0.0301)	(0.0035)	(0.0179)	(0.0317)	(0.0617)	(0.0058)	(0.0950)
Adjusted R^2	0.92	0.90	0.89	0.85	0.83	0.87	0.91	0.88

Notes: All regressions are controlled for heteroskedasticity and the p-values are given in parentheses. *, **, *** denote statistical significance at the 10%, 5% and 1% levels, respectively.

5. Conclusions

Donald Trump's election victory has sent US companies on a tumultuous ride. Markets are reacting as investors find out how heavy are the president-elect's statements on trade, fiscal policy and regulation. Many experts, who had expected a great uncertainty surrounding the 2016 US presidential election, felt completely baffled through why the US stock market bounced back since the next electoral day. Whatever the causes, this article seeks to address whether the Trump's election win good news for US investors, and if there are some losers from this victory. Our results reveal that Trump victory had a significant impact on the valuation of companies for variety of US stock price indices (Dow Jones Industrial Average, S&P 500 and Nasdaq Composite). While all of them face great uncertainty, the US election outcome had varying sectoral effects. In particular, the Trump's win divides the three US stock markets under study into two main groups: (1) a group of winners which is formed by financials, oil and gas, real estate, consumer goods and services, defense and health care, and (2) a group of losers which contains utilities and technology.

Part of this division can be explained by the Trump campaign promises to ensure an economic environment of lowered regulation, reduced global trade,

increased infrastructure spending and a cancellation of Obamacare and climate policies. After the announcement of the presidential election outcome, it was highly anticipated whose companies were poised to gain. Pharmaceutical industries (with larger extent), housing builders, oil and gas companies and defense industries would generally behave well. At the same time, the biggest firms involved with technology (in particular, Apple and Amazon which have been largely criticized by Donald Trump; the first for making iPhones in China, and the second for disobeying antitrust laws) and renewable energy would see stocks slide.

Beyond the political fights, the Trump's promises to change the North American Free Trade Agreement (NAFTA) would be economically harmful, interrupting investment continuity for industries. Accordingly, many international organizations (in particular, the International Monetary Fund and the World Trade Organization) are worried that the withdrawal from NAFTA, the renegotiation free-trade agreements resulting more isolated and less open US markets would cause a trade slowdown that would damage the global economy. This remains conditional to the overall congress opinion and the legal challenges from private firms which may play a pivotal role in deterring Trump's administration from implementing these measures.

As yet the various Dow Jones, S&P 500 and Nasdaq companies are notably responding to promises Trump touted on the campaign trail, but how the US investors will really react to Trump' presidency policies after 20 January 2017 seems anyone's guess.

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