

## DONALD TRUMP'S IMPACT: MEASURING STOCK REACTION AND CRYPTO ASSET VOLATILITY

I Kadek Bellyoni Dwijaya

*billionid96@gmail.com*

Sri Dewi Fitriyaningsih

Santi Rahmawati

Universitas Abdul Aziz Lamadjido

### ABSTRAK

*Penelitian ini menganalisis dampak dinamika politik Donald Trump terhadap pasar saham Indonesia dan volatilitas aset kripto global. Tujuan studi ini adalah membandingkan respons kedua pasar terhadap peristiwa politik utama pada era Trump 2.0. Metode penelitian menggunakan event study dengan uji Wilcoxon untuk menguji abnormal return saham, serta model GARCH (1,1) dan EGARCH untuk menganalisis volatilitas pasar kripto. Hasil penelitian menunjukkan bahwa Pemilu Amerika Serikat 2024 dan pelantikan Donald Trump tidak menimbulkan reaksi signifikan terhadap rata-rata abnormal return saham di Indonesia. Namun, pengumuman kenaikan tarif impor pada April 2025 memicu respons negatif yang signifikan dalam jangka pendek hingga menengah. Sebaliknya, pasar kripto mengalami lonjakan volatilitas yang tajam di sekitar periode pemilu, dengan indikasi volatility clustering yang kuat. Temuan ini menunjukkan bahwa pasar saham Indonesia lebih dipengaruhi oleh faktor fundamental ekonomi, sedangkan pasar kripto lebih sensitif terhadap sentimen politik dan figur pro-kripto. Secara teoretis, hasil penelitian mendukung hipotesis pasar efisien bentuk semi-kuat dan hipotesis informasi tidak pasti. Studi ini menegaskan perlunya strategi investasi yang berbeda serta peningkatan literasi keuangan dalam menghadapi dinamika politik global.*

*Kata kunci: studi peristiwa, reaksi pasar, kripto, volatilitas pasar, Donald Trump 2.0*

### ABSTRACT

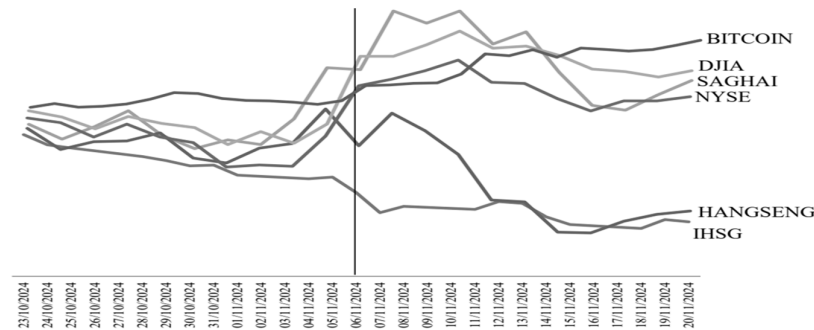
This study analyzes the impact of Donald Trump's political dynamics on the Indonesian stock market and the volatility of global cryptocurrency assets. The objective is to compare the responses of both markets to major political events during the Trump 2.0 era. The study employs an event study approach, using the Wilcoxon test to examine stock abnormal returns and GARCH (1,1) and EGARCH models to analyze cryptocurrency volatility. The findings show that the 2024 U.S. presidential election and Donald Trump's inauguration did not produce significant reactions in the average abnormal returns of Indonesian stocks. However, the announcement of import tariff increases in April 2025 generated a significant negative response in the short to medium term. In contrast, the cryptocurrency market experienced sharp increases in volatility around the election period, with strong evidence of volatility clustering. These results indicate that the Indonesian stock market is primarily driven by economic fundamentals, whereas the cryptocurrency market is more sensitive to political sentiment and pro-cryptocurrency figures. The findings support the semi-strong form of the Efficient Market Hypothesis and the Uncertain Information Hypothesis, highlighting the need for distinct investment strategies and improved financial literacy amid global political dynamics.

Key words: event study, market reaction, cryptocurrency, market volatility, Donald Trump 2.0

## INTRODUCTION

Donald Trump is recognized as one of the most controversial political figures globally, largely due to his policies and statements that have significantly impacted the U.S. economy and often triggered reactions in global financial markets (Ahmed et al., 2025). Donald Trump's victory in the 2024 U.S. presidential

election generated significant abnormal returns in the U.S. equity market, particularly within the financial, energy, and industrial sectors, reflecting investors' reassessment of expectations regarding the incoming administration's fiscal and trade policies (Ferriani et al., 2025).



**Figure 1**  
**Stock Index and Bitcoin movements before and after the US Election**  
*Source: data processing results, 2025*

The victory of Donald Trump in the U.S. Presidential Election on November 6, 2024, triggered notable economic turbulence, particularly in global stock markets. Major stock indices in the United States and China rose following the election outcome. In contrast, the Hang Seng Index declined, mirroring the performance of Indonesia's Composite Stock Price Index (IHSG), which fell to 7,180 within 10 days after Trump's win (Cyrill, 2024).

The decline reflects a period of heightened uncertainty, prompting capital outflows from emerging markets into U.S. assets and leading to downward pressure on equities in developing countries, including Indonesia. Bitcoin reached a new all-time high, surging to \$94,303 within 10 days of Trump's victory, up from \$69,373 (Torpey, 2024). The situation highlights the increasing role of the United States in the global crypto ecosystem. The policy direction under Trump's leadership is anticipated to foster a more favorable environment for blockchain initiatives and cryptocurrency development.

Empirical research of Ampountolas (2025) indicates that the 2024 U.S. presidential

election, along with the political uncertainty associated with Donald Trump, has generated volatility spillovers across asset classes as oil prices, equity markets, and commodities respond significantly to investors' revised expectations to the future direction of economic policy. The U.S. equity market exhibited a significant surge in abnormal returns following the announcement of Trump's victory. Although the initial reaction was partially volatile, reflecting shifts in investor sentiment as expectations adjusted to the incoming administration's economic policies (Ahmed et al., 2025). Specific sectors responded differently to the event. For instance, the pharmaceutical industry underperformed before the election. However, three days before the official election outcome, pharmaceutical stock prices surged, both statistically and economically (Blau et al., 2019). This pattern shows that certain sectors can strategically anticipate and adjust to potential outcomes of political events, such as elections.

Trump's unexpected victory initially triggered a decline across all major U.S. stock market indices (Ahmed et al., 2020). However,

Child et al. (2021) found that companies with established ties to Trump experienced significantly higher abnormal returns and faced a lighter regulatory burden than other firms. Empirical evidence suggests that Donald Trump's leadership has not adversely affected the performance of exchange-traded funds (ETFs), with cross-sector performance differences being driven more by macroeconomic conditions and shifts in investor expectations than by the ideological orientations of specific political parties (Wang and Guo, 2025). In Indonesia, there has been no recent research on market reactions to Donald Trump's victory in the 2024 election.

Although considered a safe-haven asset, Bitcoin's role is dynamic and dependent on market conditions, as reflected in its fluctuating correlation with major stock indices (Yae and Tian, 2024). Previous research indicates that cryptocurrency price movements are inherently difficult to predict, as no consistently identifiable determinants have been identified to drive these fluctuations. Consequently, investing in cryptocurrencies without conducting comprehensive analyses of price movements and market-related news involves substantial risk and is often classified as speculative behaviour. Several studies indicate that high trading volume and substantial price volatility can enhance the potential returns of cryptocurrency investments, allowing investors to achieve profitability under certain market conditions despite the persistence of elevated risk (Juwita et al., 2023).

Stocks and cryptocurrencies, as two major financial instruments, exhibit distinct behavioral patterns in response to specific events or information. Stock prices are generally influenced by firm fundamentals and broader macroeconomic conditions. Whereas cryptocurrency markets are more strongly driven by speculative sentiment, the adoption of blockchain technology, and regulatory developments. Examining how these two asset classes respond to political events, as those related to Donald Trump, provides valuable insight into the increasingly

interconnected and rapidly responsive nature of modern financial markets. In contrast to prior studies predominantly focusing on either traditional financial markets or digital assets separately, this research offers a cross-asset comparative analysis of market reactions to the same political events, including the U.S. presidential election, presidential inauguration, and the announcement of import tariff policies. Furthermore, this study provides new empirical evidence from an emerging-market perspective by using the Kompas 100 Index as a proxy for Indonesian stock market performance, an area that remains relatively underexplored in the context of global political risk transmission. The application of GARCH and EGARCH models can identify volatility clustering patterns in cryptocurrency markets associated with political sentiment, extending the literature on political uncertainty, behavioral finance, and volatility spillover across heterogeneous asset classes. Thus, this study originality lies in its multi-method, cross-market approach, on how political events originating in a major global economy generate asymmetric responses between conventional financial instruments and digital assets.

This study also offers practical implications for investors and portfolio managers by improving their understanding of how markets respond to political sentiment. It supports more informed decision-making in periods of heightened market volatility. In addition, the study enriches academic literature by directly contrasting the reactions of two structurally distinct asset classes to political dynamics—an area that remains largely understudied and offers avenues for further research.

## **THEORETICAL REVIEW**

### **Efficient Market Hypothesis**

The market efficiency theory was first discovered by Eugene F. Fama in the 1960s. According to Fama (1970), market prices reflect all available information. This means that it is impossible to consistently beat the market through fundamental or technical

analysis, except by taking higher risks. There are three levels of market efficiency: Weak-form Efficiency, Semi-strong-form Efficiency, and Strong-form Efficiency.

Although recent studies have shown inconsistent results, such as Takaishi (2025), who analyzed the impact of the Covid-19 pandemic on major global market indices such as the DAX, Nikkei 225, SSE, VIX, and cryptocurrencies. The results demonstrate that markets are not always efficient, particularly during global crises like pandemics. Stock markets are more vulnerable to changes in efficiency than cryptocurrency markets during pandemics. He added that market efficiency can vary depending on the situation (dynamic). Similarly, Zitis et al. (2023) found that the COVID-19 pandemic caused significant shifts in market efficiency, particularly in forex and crypto markets, which cannot be fully explained by the classical Efficient Market Hypothesis. He emphasizes the importance of non-linear and adaptive approaches in modern financial market analysis.

Lee and Choi (2023) also state that not all markets are efficient, as there are information imbalances and differences in market structures between countries. Efficiency is higher in developed countries such as the US, the UK, and Switzerland, while emerging markets are still vulnerable to external shocks such as foreign capital flows and local political risks.

### **Event Study Theory**

Event study theory is an approach in economics and finance for measuring the impact of an event on the value of securities, particularly stock prices in the capital market. This theory is very important because it provides a framework for measuring market reactions to specific events. These events can include political announcements, economic policies, mergers and acquisitions, earnings announcements, or geopolitical events such as the political impact of Donald Trump.

Ball and Brown (1968) first applied event studies empirically in their accounting research entitled “An Empirical Evaluation of Accounting Income Numbers,” which examined the relationship between income statements and stock prices. They found that the market reacts to accounting information, marking the beginning of the event study method in finance. Later, MacKinlay (1997) developed a formal event study methodology by clarifying systematic steps. He included determining the event window, the normal return estimation model, statistical tests for abnormal returns, and CAR, which now form the standard methodology for modern event studies.

### **Political Uncertainty Theory & Political Risk**

This theory explains that political uncertainty arising from political events such as elections, regime change, and new government policies, or extreme political rhetoric can trigger financial market volatility. Companies facing higher political risk may reduce capital investment and use excess funds in more reversible operational activities (Banerjee and Dutta, 2022).

During periods of high geopolitical tension, gold remains an important instrument for investors for diversification and risk protection purposes since the relationship between the US stock market and gold tends to strengthen (Triki and Ben Maatoug, 2021). Geopolitical risks over a 30-year period have had a positive impact on government investments in 18 countries (Bilgin et al., 2020). Additionally, Huang and Chang (2021) emphasize that Chinese government bonds and gold are used to hedge against turbulence in the Shanghai Composite Index. Furthermore, political uncertainty triggers decline in stock prices and spikes in volatility.

According to Handler and Jankowitsch (2025), investors tend to avoid risk when political uncertainty increases, leading to lower prices and deteriorating market liquidity. Brogaard et al. (2020) add that during

the US election cycle, government bond yields increase before the election (flight-to-safety), while stock returns decline, triggering an increase in market volatility that reflects heightened uncertainty and risk.

### **Behavioral Finance & Sentiment Analysis**

The classical theory of Barberis et al. (1998) states that investors often overreact to both good and bad news, leading to price momentum and reversals. Investors overreacted to negative COVID-19 news, but market adaptation led them to respond more rationally to pandemic news (Ming et al., 2022). While, Johnson (2023) adds that the Crypto Fear and Greed Index reflect momentary market emotions but is not a reliable predictive tool for all cryptocurrencies. This aligns with the principles of Behavioral Finance (Simon, 1955), which rejects the assumption of perfect market rationality, and sentiment analysis, which is more suitable for mapping market emotions than as a pure technical indicator. Sundarasen and Saleem (2025) also confirm the significant role of social media, particularly Twitter, in driving crypto volatility related to political influencer tweets.

### **Volatility Theory & Spillover Effect**

Engle (1982) first proposed the ARCH (Autoregressive Conditional Heteroskedasticity) model to address the volatility clustering pattern that often appears in financial data. This phenomenon is characterized by a tendency for high volatility to occur in clusters, followed by subsequent periods of high volatility. While low volatility tends to occur in clusters. Bollerslev (1986) advanced the ARCH model by introducing the GARCH (Generalised Autoregressive Conditional Heteroskedasticity) model, which was later extended to asymmetric variants such as EGARCH and GJR-GARCH. These models address two key features of financial markets: the leverage effect and non-linear volatility responses. Recent models, such as dynamic network ARCH (Mattera and Otto, 2024), use inter-asset network data to forecast volatility,

capturing both temporal clustering and spatial spillover.

Alamaren et al. (2024) found that interconnected financial markets mean that shocks in one asset, such as Bitcoin, can affect other assets. This demonstrates the multiplicity of spillovers between cryptocurrencies, which was reinforced during the COVID-19 pandemic. Li and Patel (2025) noted changes in patterns following the approval of the Bitcoin ETF on October 23, 2023, with a decrease in short-term volatility but an increase in long-term dependence through GARCH-BEKK. However, COVID-19 uncertainty has led cryptocurrencies to serve as a hedging role (Demir et al., 2020). A study by Zhang et al. (2025) found significant spillover from cryptocurrencies to Thai stocks in the Industrial and Financial sectors.

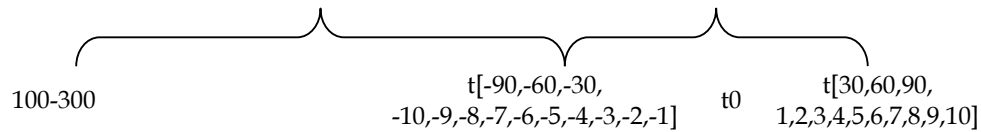
### **RESEARCH METHOD**

This study was conducted on the Indonesian Stock Exchange, focusing on stocks included in the Kompas 100 Index, from the period of the US presidential election through the impact of Donald Trump's policies. Of the total population of 100 stocks, 19 did not meet the selection criteria, resulting in a final sample of 81. Additionally, this study also included 9 cryptocurrencies with large market capitalizations, specifically those exceeding 20 billion U.S. dollars.

This type of research uses an event study approach to analyze the political dynamics of Donald Trump 2.0 on the stock market and cryptocurrency volatility. The event study method has been widely applied in previous studies and remains relevant today. Hartono (2022) refers to event studies as residual analysis, abnormal performance index tests, or market reaction tests that focus on observing market reactions to an event. In this study, the events examined include the U.S. presidential election, Donald Trump's inauguration as U.S. President, and the announcement of import tariff hikes. Return estimates are calculated using an estimation period of 100–300 days. Meanwhile, the event window period is

divided into two parts: a short-term period of 1–10 days, which is considered capable of capturing the market's rapid response to information (Yousaf et al., 2022), and a long-term period of 30, 60, and 90 days, to observe

the impact of events over a broader time frame (Nerlinger and Utz, 2022). The design of the estimation period, event window, and observation time range can be seen in the following chart:



**Figure 2**

**Estimation Period and Window Period Length**

Source: Hartono (2022) Redesigned according to the Method, 2025

Operational measurement of variables (MacKinlay, 1997; McWilliams and Siegel, 1997) determine actual return, market return, market model, abnormal return, average abnormal return, and cumulative average abnormal return. The same source in the study (Ahmed et al., 2020) is as follows:

**Actual return**

$$R_t = \frac{P_t - P_{t-1}}{P_{t-1}} \quad (1)$$

Where  $R_t$  : daily return of the company's shares in month t.  $P_t$ : closing price of shares on day t.  $P_{t-1}$ : closing price of shares before day t

**Market return**

$$R_{m,t} = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}} \quad (2)$$

Where  $R_{m,t}$ : daily market return on day t.  $IHSG_t$ : Composite Stock Price Index on day t.  $IHSG_{t-1}$ : Composite Stock Price Index on the day before day t

**Market model**

$$R_{i,t} = \alpha_i + \beta_i \cdot R_{m,t} + E \quad (3)$$

Where  $R_{i,t}$ : realized return of security i at estimate t.  $\alpha_i$ : intercept (alpha) for security i.  $\beta_i$ : beta of security i.  $R_{m,t}$ : market index return at t.  $E_{i,t}$ : residual error of security i at estimate t

**Abnormal return**

$$RTN_{i,t} = R_{i,t} - E(R_{i,t}) \quad (4)$$

Where  $RTN_{i,t}$ : abnormal return of security i in period t.  $R_{i,t}$ : actual return for

security i in period t.  $E(R_{i,t})$ : expected return of security i in period t

**Average abnormal return**

$$RRTN_t = \frac{\sum_{i=1}^N RTN_{i,t}}{N} \quad (5)$$

Where  $RRTN_t$  = average abnormal return on day t.  $RTN_{i,t}$ : abnormal return of security i on day t. N: number of securities

**Cumulative average abnormal return**

$$RARTN_{(t1,tp)} = \frac{\sum_{i=1}^N ARTN_{(t1,tp)i}}{N} \quad (6)$$

Where  $RARTN_{(t1,tp)}$ : cumulative average abnormal return from date  $t_1$  to date  $t_p$ .  $ARTN_{(t1,tp)i}$ : Cumulative abnormal return of security i from date  $t_1$  to date  $t_p$ . N: Number of securities

GARCH (Generalized Autoregressive Conditional Heteroskedasticity) is a statistical model used to estimate the volatility of time series data. This model extends the ARCH (Autoregressive Conditional Heteroskedasticity) model by incorporating lagged values of conditional variance.

The ARCH model equation (Engle, 1982) is as follows:

$$\sigma_t^2 = \alpha_0 + \alpha_1 \epsilon_{t-1}^2 + \alpha_2 \epsilon_{t-2}^2 + \dots + \alpha_q \epsilon_{t-q}^2 \quad (7)$$

Where  $\sigma_t^2$  is the variance at time t.  $\alpha_0$  is the constant value (intercept).  $\alpha_i$  (1,2,..., q) is the ARCH coefficient.  $\epsilon_{t-1}^2$  is the square of the error term.

The GARCH (p, q) model includes p lagged values of squared errors (ARCH

term) and q lagged values of past conditional variance (GARCH term).

The general form of the GARCH (p, q) model by Bollerslev (1986) is:

$$\sigma_t^2 = \alpha_0 + \sum_{i=1}^p \alpha_i \epsilon_{t-i}^2 + \sum_{j=1}^q \beta_j \sigma_{t-j}^2 \quad (8)$$

Where  $\sigma_t^2$  is the conditional variance at time t.  $\alpha_0$  is a constant.  $\alpha_i$  is a parameter of ARCH.  $\beta_j$  is a parameter of GARCH.  $\epsilon_{t-i}$  is the past error.

**ANALYSIS AND DISCUSSION**

**The Results of Stock Market Reaction Testing**

Table 1 explains that the average abnormal return is generally negative both before and after the election, although the value is close to zero. It suggests that the market response to the election event is relatively moderate. The relatively low standard deviation reflects a consistent movement of abnormal returns around the mean, indicating controlled volatility during the observation period.

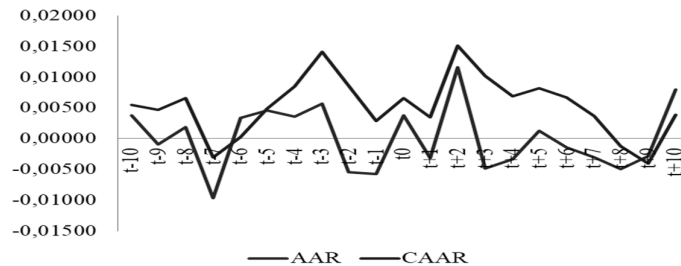
**Table 1**  
**Descriptive Statistics of the United States Election**

	N	Minimum	Maximum	Mean	Standard Deviation
Before AAR	81	-0,0096	0,0056	0,0001	0,0053
After AAR	81	-0,0049	0,0116	-0,0003	0,0056

Source: Data processing results, 2025

Figure 3 depicts the dynamics of the Average Abnormal Return and the Cumulative Average Abnormal Return within the event window surrounding the United States presidential election. The AAR displays daily fluctuations, reflecting the market's varying reactions to election-related information. The most significant spikes and drops are observed near the event date, highlighting the heightened market sensitivity during this period. Meanwhile,

the CAAR illustrates the accumulation of abnormal returns over time. The CAAR curve shows an upward trend until day t+2, indicating a cumulative positive market response in the immediate aftermath of the election. However, this upward movement does not persist, the CAAR subsequently declines until day t+9, suggesting that the initial positive reaction was temporary and eventually adjusted as the market re-evaluated the event's long-term impact.



**Figure 3**  
**AAR and CAAR of the United States Presidential Election**

Source: data processing results, 2025

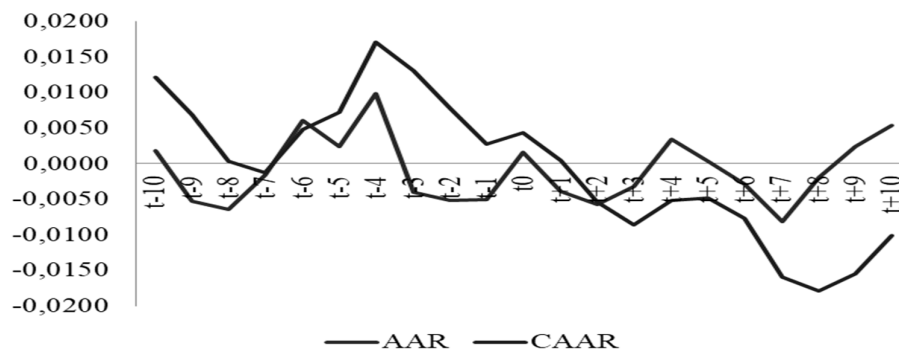
**Table 2**  
**Descriptive Statistics of Donald Trump's Inauguration**

	N	Minimum	Maximum	Mean	Standard Deviation
Before AAR	81	-0,0065	0,0099	-0,0008	0,0056
After AAR	81	-0,0081	0,0054	-0,0014	0,0043

Source: Data processing results, 2025

Average Abnormal Return before the date of Donald Trump's inauguration as shown in Table 2 has an average value of -0.0008 and an average value afterwards of -0.0014 and the standard deviation is greater than the average value. In both periods, the standard deviation exceeds the mean, indicating a relatively high volatility compared to the average return. The negative AAR before the inauguration suggests a mild tendency of the market to experience negative abnormal returns in

anticipation of the event. Furthermore, the post-inauguration period reflects a greater negative reaction, as shown by the larger absolute value of the AAR, despite the fact that market fluctuations were relatively lower than those observed before the event. This pattern implies that the market responded unfavorably to Trump's inauguration, with a calmer but more consistently negative return pattern afterward.



**Figure 4**  
**AAR and CAAR Inauguration of Donal Trump**  
 Source: data processing results, 2025

The movement of the Average Abnormal Return and Cumulative Average Abnormal Return around Donald Trump's inauguration, as depicted in Figure 4, illustrates notable fluctuations in daily abnormal returns, reflecting a high degree of market uncertainty

during the event window. Furthermore, the CAAR shows a pronounced downward trend, reaching its lowest point approximately on day t+8, indicating a cumulative negative market reaction following the event.

**Table 3**  
**Descriptive Statistics of Import Tariff Increase Announcement**

	N	Minimum	Maximum	Mean	Standard Deviation
Before AAR	81	-0,0137	0,0122	0,0002	0,0056
After AAR	81	-0,0232	0,0054	0,0039	0,0154

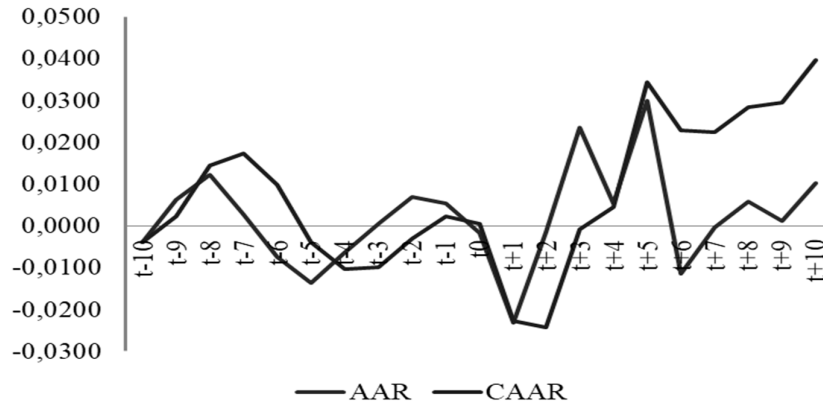
Source: Data processing results, 2025

The descriptive statistics of the Average Abnormal Return before and after the announcement of import tariff increases by

President Donald Trump, as presented in Table 3, indicate that prior to the event, the market exhibited relatively normal

conditions, with average returns close to zero and no significant abnormal movements. However, following the announcement, market volatility increased substantially, as reflected by larger return fluctuations in both positive and negative directions. The rise in the average AAR after the event suggests that

part of the market responded favorably to the policy, possibly perceiving it as beneficial for specific sectors. Nonetheless, the heightened volatility also implies that the announcement introduced considerable uncertainty regarding the broader economic impact of the tariff adjustments.



**Figure 5**  
**AAR and CAAR Announcement of Import Tariff Increase**

Source: data processing results, 2025

Figure 5 illustrates the dynamics of Average Abnormal Return and Cumulative Average Abnormal Return surrounding the announcement of the import tariff increase made by Donald Trump on April 2, 2025. The AAR exhibits noticeable fluctuations around the event date, with a marked shift into positive territory observed during the period

from t+3 to t+5, reflecting market uncertainty and speculative responses to the anticipated impact of the policy. Meanwhile, the CAAR shows a significant upward trend from t+3 to t+10, suggesting that, on a cumulative basis, the market reacted positively to the tariff hike once the initial adjustment period had passed.

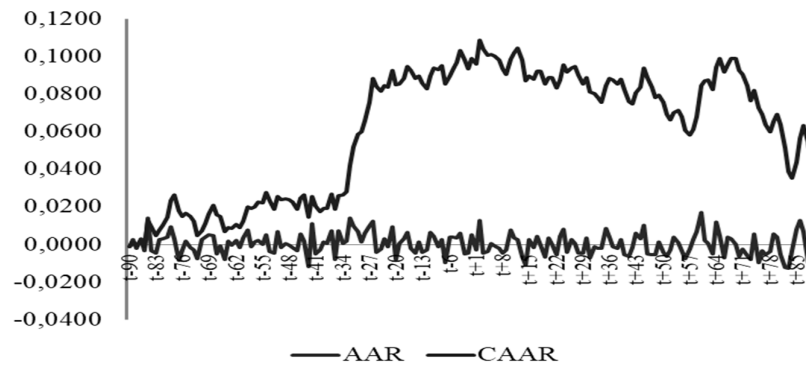
**Table 4**  
**Long-term Descriptive Statistics of US Elections**

	N	Minimum	Maximum	Mean	Standard Deviation
Before AAR	81	-0,0137	0,0140	0,0010	0,0053
After AAR	81	-0,0147	0,0169	-0,0007	0,0061

Source: Data processing results, 2025

According to Table 4, the average abnormal return prior to the United States presidential election was recorded at 0.0010, indicating a generally positive market sentiment leading up to the event, accompanied by relatively low volatility of 0.0053. However, following the election,

which resulted in the victory of Donald Trump as President, the average AAR shifted to a negative value of -0.0007. This change reflects a decline in market reaction and heightened uncertainty, further evidenced by an increase in return volatility to 0.0061.



**Figure 6**  
**AAR and CAAR Long-term US Election Period**  
*Source: data processing results, 2025*

As illustrated in Figure 6, the AAR graph fluctuates around zero, indicating that daily market responses to the election event were relatively inconsistent. In contrast, the CAAR graph displays a sharp upward trend prior to the election, peaking at approximately 10%, before subsequently declining. This pattern suggests that although investors initially reacted positively to the election, a market

correction followed as expectations were realigned with the actual outcome of the presidential race.

Table 5 presents the results of the Wilcoxon Signed Rank test on the average abnormal returns of stocks listed in the Kompas 100 Index during the United States Presidential Election event on November 5, 2024.

**Table 5**  
**Wilcoxon Signed Rank Test U.S. Election on November 5, 2024**

Stock Market Index	Event Window	Negative Ranks	Positive Ranks	Ties	Sig. (2-tailed)	Interpretation
Kompas 100 Index	[-1,+1]	39	42	0	0,639	Not Significant
	[-2,+2]	23	58	0	0,001	Significant
	[-3,+3]	35	46	0	0,110	Not Significant
	[-4,+4]	41	40	0	0,600	Not Significant
	[-5,+5]	40	40	1	0,979	Not Significant
	[-6,+6]	50	30	1	0,399	Not Significant
	[-7,+7]	43	38	0	0,908	Not Significant
	[-8,+8]	48	31	2	0,284	Not Significant
	[-9,+9]	51	29	1	0,245	Not Significant
	[-10,+10]	42	38	1	0,717	Not Significant

*Source: Data processing results, 2025*

The statistical hypothesis testing results presented in Table 5 suggest that the short- to medium-term influence of the U.S. presidential election on the Kompas 100 Index in the Indonesia Stock Exchange did not lead to a

statistically significant difference in the Average Abnormal Return (AAR) before and after the event. This conclusion is supported by the p-values across most event windows, which exceed the 0.05 significance threshold-

except for the [-2, +2] window. During this specific short-term period, the market responded positively and significantly to the election. Nonetheless, the effect was temporary, as the significance was not sustained in the extended event windows, particularly from day 3 to day 10.

**Table 6**  
**Wilcoxon Signed Rank Test Donald Trump's Inauguration on January 20, 2025**

Stock Market Index	Event Window	Negative Ranks	Positive Ranks	Ties	Sig. (2-tailed)	Interpretation
Compass 100 Index	[-1,+1]	34	47	0	0,389	Not Significant
	[-2,+2]	39	42	0	0,794	Not Significant
	[-3,+3]	40	40	1	0,570	Not Significant
	[-4,+4]	42	39	0	0,477	Not Significant
	[-5,+5]	41	39	1	0,596	Not Significant
	[-6,+6]	42	39	0	0,210	Not Significant
	[-7,+7]	40	40	1	0,144	Not Significant
	[-8,+8]	41	40	0	0,437	Not Significant
	[-9,+9]	34	46	1	0,827	Not Significant
	[-10,+10]	37	44	0	0,916	Not Significant

Source: Data processing results, 2025

The statistical hypothesis testing results presented in Table 6 indicate that most event windows surrounding Donald Trump's inauguration as President of the United States on January 20, 2025, did not yield statistically significant outcomes. This finding suggests that the presidential inauguration had no substantial abnormal effect on the average stock returns of the Kompas 100 Index. Although the average abnormal returns tended to be negative-implying that investors may have perceived the inauguration as a potential source of risk-the reaction was not strong enough to trigger a statistically significant response from the market in the short term.

**Table 7**  
**Wilcoxon Signed Rank Test of Import Tariff Increase on April 2, 2025**

Stock Market Index	Event Window	Negative Ranks	Positive Ranks	Ties	Sig. (2-tailed)	Interpretation
Compass 100 Index	[-1,+1]	56	25	0	0,000	Significant
	[-2,+2]	52	29	0	0,001	Significant
	[-3,+3]	42	39	0	0,364	Not Significant
	[-4,+4]	40	41	0	0,738	Not Significant
	[-5,+5]	26	55	0	0,001	Significant
	[-6,+6]	26	55	0	0,000	Significant
	[-7,+7]	26	55	0	0,001	Significant
	[-8,+8]	32	49	0	0,014	Significant
	[-9,+9]	35	45	1	0,051	Not Significant
	[-10,+10]	35	46	0	0,020	Significant

Source: Data processing results, 2025

The Average Abnormal Return of stocks listed in the Kompas 100 Index in response to Donald Trump's announcement of increased import tariffs on April 2, 2025, demonstrates statistically significant differences across several event windows. As shown in Table 7, the short-term windows of [-1, +1] and [-2, +2] yield p-values below the 0.05 threshold, indicating a significant change in AAR before and after the event. This suggests a swift market reaction, as evidenced by the dominance of negative ranks over positive ranks, reflecting a generally negative investor sentiment following the announcement of the tariff hike.

Significant effects are also observed across broader event windows, including [-5, +5] with a p-value of 0.001, [-6, +6] with a p-value

of 0.000, [-7, +7] with a p-value of 0.001, [-8, +8] with a p-value of 0.014, and [-10, +10] with a p-value of 0.020. Notably, there is a shift in the direction of the Average Abnormal Return from negative to positive, suggesting initial downward pressure on the market prior to the announcement, followed by a positive adjustment in the aftermath. This significant market reaction indicates that the announcement of the tariff increase had a considerable influence on investor expectations in the Indonesian capital market, particularly affecting stocks within the Kompas 100 Index.

The results of long-term testing of the impact of events on the Compass 100 Index are shown in the following table:

**Table 8**  
**Wilcoxon Signed Rank Test Long-Term Period of U.S. Election**

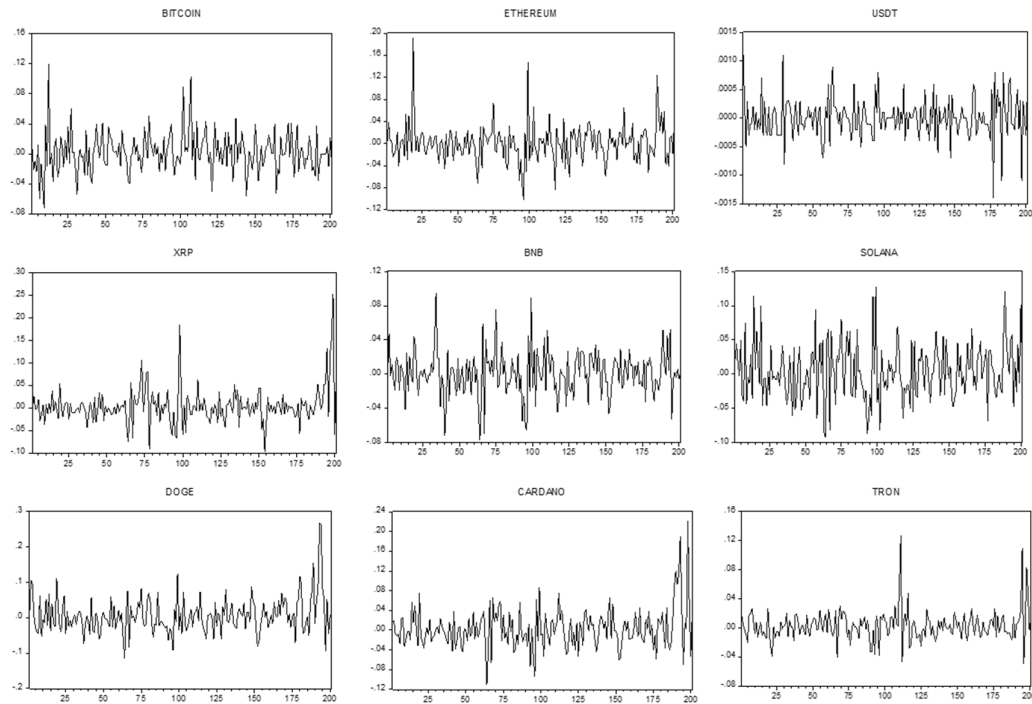
Stock Market Index	Event Window	Negative Ranks	Positive Ranks	Ties	Sig. (2-tailed)	Interpretation
Compass 100 Index	[-30,+30]	48	32	1	0,031	Significant
	[-60,+60]	53	28	0	0,004	Significant
	[-90,+90]	49	29	3	0,000	Significant

Source: Data processing results, 2025

Long-term statistical analysis indicates a significant difference in the Average Abnormal Return of stocks listed in the Kompas 100 Index before and after the U.S. presidential election held on November 11, 2024, across 30-day, 60-day, and 90-day observation periods. These findings suggest that the election had a lasting influence on investor behavior within the Indonesian capital market. In all three timeframes, the post-event AAR exhibited a consistent downward trend, implying that, over the long run, the market tended to respond unfavorably following the announcement of the U.S. election outcome.

**The Results of Cryptocurrency Volatility Analysis**

As part of the broader market dynamics analysis, Figure 6 illustrates the daily return patterns of nine major cryptocurrencies over a 100-day period before and after the United States presidential election held on November 11, 2024. This visualization aims to capture shifts in volatility trends, detect occurrences of extreme returns, and assess the potential influence of significant political events on cryptocurrency price movements.



**Figure 7**  
**Cryptocurrency asset return chart**  
*Source: Data processing results, 2025*

Figure 7 presents the daily return trajectories of nine leading cryptocurrencies, namely Bitcoin, Ethereum, USDT, XRP, BNB, Solana, Doge, Cardano, and Tron. Overall, the chart reflects the inherently volatile nature of cryptocurrency markets, characterized by sharp fluctuations and distinct volatility clustering patterns. Empirical evidence indicates that investor sentiment significantly influences cryptocurrency returns, with Bitcoin and Ethereum demonstrating time-varying sensitivities to shifts in market sentiment, such that changes in optimism or fear among investors are closely mirrored in their return dynamics (Han, 2025). In contrast, USDT, as a stablecoin (Barucci et al., 2022),

demonstrates relatively steady return movements. XRP, Solana, and Doge display instances of extreme positive and negative returns, indicating the presence of tail risk (Barkai et al., 2024) and speculative trading behavior. Meanwhile, Cardano and Tron reveal rising volatility towards the end of the observation window, suggesting a potential shift in market trends. Collectively, these return distributions deviate from normality, exhibiting leptokurtic tendencies (Shanaev and Ghimire, 2021). Thereby, they highlight the necessity of employing heteroskedasticity-based models such as GARCH for further analysis.

**Table 9**  
**Stationarity test**

	ADF Test Statistic			Description
	Test Critical Values	t-Statistic	Prob*	
BITCOIN	1%	-14.03041 -3.463067	0.0000	Level

	ADF Test Statistic			Description
	Test Critical Values	t-Statistic	Prob*	
	5%	-2.875825		
	10%	-2.574462		
ETHEREUM		-13.47188		
	1%	-3.463067	0.0000	Level
	5%	-2.875825		
	10%	-2.574462		
USDT		-18.66537		
	1%	-3.463067	0.0000	Level
	5%	-2.875825		
	10%	-2.574462		
XRP		-11.78254		
	1%	-3.463067	0.0000	Level
	5%	-2.875825		
	10%	-2.574462		
BNB		-8.494224		
	1%	-3.463235	0.0000	Level
	5%	-2.875898		
	10%	-2.574501		
SOLANA		-14.76133		
	1%	-3.463067	0.0000	Level
	5%	-2.875825		
	10%	-2.574462		
DOGE		-10.71921		
	1%	-3.463067	0.0000	Level
	5%	-2.875825		
	10%	-2.574462		
CARDANO		-11.54552		
	1%	-3.463067	0.0000	Level
	5%	-2.875825		
	10%	-2.574462		
TRON		-13.37287		
	1%	-3.463067	0.0000	Level
	5%	-2.875825		
	10%	-2.574462		

Source: Data processing results, 2025

The results of the Augmented Dickey-Fuller (ADF) test, as presented in Table 9, indicate that all cryptocurrency return series are stationary at level. This conclusion is supported by t-statistics that are lower than the critical values and p-values below the 0.05 significance threshold. These findings suggest

the absence of a unit root, implying that differencing is unnecessary. Consequently, GARCH modeling can be applied directly to analyze return volatility, ensuring a more efficient and statistically valid estimation process.

**Table 10**  
**GARCH and EGARCH model test results**

	Significance Test				Model
	Variables	Coefficient	Z Statistic	Prob*	
BITCOIN	C	9.080050	0.847233	0.3969	

	Significance Test				Model
	Variables	Coefficient	Z Statistic	Prob*	
	RESID ARCH (-1)^2	0.066926	1.445792	0.1482	GARCH (1,1)
	GARCH(-1)	0.799339	4.030838	0.0001	
	C	0.000319	1.232281	0.2178	
ETHEREUM	RESID ARCH (-1)^2	0.098423	1.432140	0.1521	GARCH (1,1)
	GARCH(-1)	0.632592	2.364045	0.0181	
	C	3.640008	2.566808	0.0103	
USDT	RESID ARCH (-1)^2	0.645622	4.327129	0.0000	GARCH (1,2)
	GARCH(-1)	0.011498	0.131826	0.8951	
	GARCH(-2)	0.179908	1.555383	0.1199	
XRP	RESID ARCH (-1)^2	0.000223	4.001239	0.0001	GARCH (1,1)
	GARCH(-1)	0.674779	3.801391	0.0001	
	C	0.298705	2.642537	0.0082	
BNB	RESID ARCH (-1)^2	0.000272	2.988160	0.0028	GARCH (1,1)
	GARCH(-1)	0.229853	2.614863	0.0089	
	C	0.380261	2.481665	0.0131	
SOLANA	RESID ARCH (-1)^2	0.000384	1.055451	0.2912	GARCH (1,1)
	GARCH(-1)	0.118201	1.250487	0.2111	
	C	0.656866	2.367324	0.0179	
DOGE	RESID ARCH (-1)^2	0.000677	2.267296	0.0234	GARCH (1,1)
	GARCH(-1)	0.294190	2.910240	0.0036	
	C	0.436871	2.434003	0.0149	
CARDANO	RESID ARCH (-1)^2	9.760005	2.007421	0.0447	GARCH (1,1)
	GARCH(-1)	0.205881	3.026718	0.0025	
	C	0.753326	11.15754	0.0000	
TRON	C(2)	-2.398697	-4.948636	0.0000	EGARCH (1,1)
	C(3)	0.604800	6.017528	0.0000	
	C(4)	0.239889	3.888043	0.0001	
	C(5)	0.760427	12.33152	0.0000	

Source: Data processing results, 2025

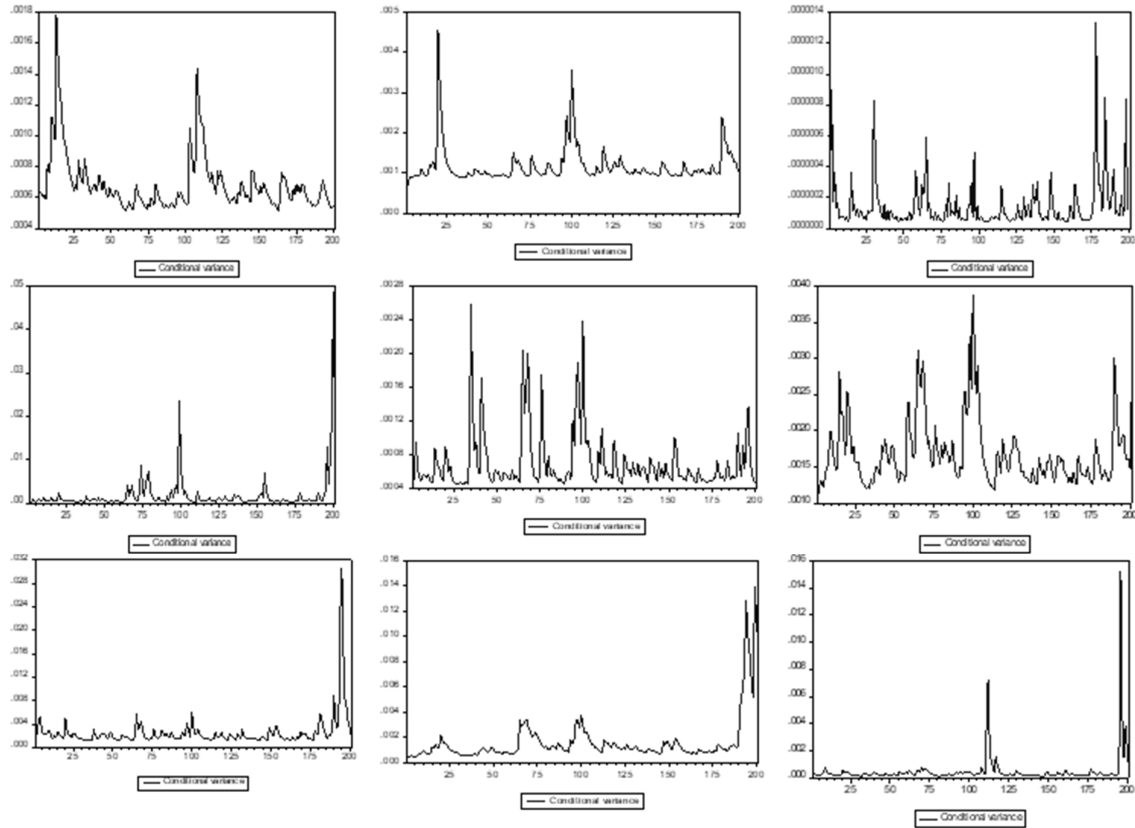
Table 10 presents the results of the significance tests applied to the GARCH and EGARCH models in capturing cryptocurrency return volatility. Among the nine cryptocurrencies analyzed, the GARCH (1,1) model consistently emerged as the most appropriate specification for modeling volatility across all assets. A detailed explanation for each individual cryptocurrency is provided in the subsequent sections.

The volatility of USDT, XRP, BNB, DOGE, and Cardano returns exhibits Residual ARCH test values with probabilities below the 0.05 threshold. This indicates that unexpected shocks in the previous day's returns significantly influence current volatility.

Therefore, these markets demonstrate a high sensitivity to short-term unexpected events.

The GARCH (1,1) estimation results for BITCOIN, ETHEREUM, XRP, BNB, SOLANA, DOGE, and CARDANO indicate statistically significant GARCH parameters. This finding suggests that past volatility has a persistent effect on current volatility. When the returns of these seven cryptocurrencies exhibit heightened volatility around the days preceding or following the election, the elevated volatility tends to persist rather than dissipate immediately. This implies that the market retains the impact of shocks over time. In contrast, for TRON returns, all EGARCH model parameters are highly significant ( $p < 0.001$ ), indicating that this model is particularly effective in capturing volatility dynamics. The

EGARCH specification successfully accounts for asymmetry, where negative shocks exert a different influence on volatility compared to positive shocks.



**Figure 8**  
**Crypto asset volatility chart**  
*Source: Data processing results, 2025*

Figure 8 illustrates the conditional volatility patterns of the nine observed cryptocurrencies. A notable and consistent spike in volatility is observed on day 100, which aligns with the U.S. presidential election held on November 5, 2024. This suggests that major geopolitical events exert a significant influence on the cryptocurrency market. Additionally, several assets display a rise in volatility approaching the inauguration of Donald Trump on January 20, 2025 (day 177), although the magnitude is comparatively lower. These findings highlight that the dynamics of the crypto market are sensitive to global political uncertainty, particularly in response to Donald Trump’s victory in the 2024 election.

**Donald Trump's Impact on Kompas 100 Index Stock Reaction**

The Wilcoxon test analysis shows that the US general election on November 5, 2024, and Donald Trump's inauguration on January 20, 2025, did not cause a statistically significant reaction to the average abnormal return of stocks on the Kompas 100 Index, either in the short or medium term. Conversely, Donald Trump's announcement of import tariff hikes on several countries, including Indonesia, on April 2, 2025, triggered a significant market response in several short-term windows. This indicates that investors' sensitivity to Donald Trump's economic policies is far greater than to ceremonial political events.

These findings are consistent with Fama's (1970) semi-strong form market efficiency theory that capital markets react quickly to available information. Although some studies show that markets in developing countries tend to be less than fully efficient (Lee and Choi, 2023), the results of this study indicate that Donald Trump's economic policies have a significant impact on the Indonesian stock market. This is in line with the efficiency of the Indonesian stock market, which responded negatively to the Covid-19 pandemic quickly (Kasim et al., 2022). However, this differs from the market's response to the Russia-Ukraine conflict (Dwijaya et al., 2023), which did not show a statistically significant reaction. Since Donald Trump's election until the implementation of the import tariff hike policy, the Indonesian stock market has shown a long-term negative response, as evidenced by statistical testing over 30-, 60-, and 90-day windows. Previous research also found that Trump's victory in 2024 caused volatility in equity markets and oil prices (Ampountolas, 2025).

The results of this analysis confirm that the Indonesian stock market is more reactive to real economic policies, such as the announcement of import tariff increases, than to symbolic political events such as presidential inaugurations. This argument is in line with Hamdani et al. (2024), who state that political events can increase capital market volatility in Indonesia.

### **Donald Trump's Impact on Crypto Asset Volatility**

This study found a surge in cryptocurrency volatility around the US general election on November 5, 2024, and Donald Trump's inauguration, marked by volatility clustering and persistence patterns. The GARCH (1,1) and EGARCH models proved capable of capturing these data characteristics.

The political event of Donald Trump's election as US President triggered a sharp and prolonged surge in volatility. Empirically, this surge was clearly evident in

Bitcoin, Ethereum, XRP, BNB, Solana, Dogecoin, and Cardano, where past volatility had a significant influence on current volatility. Conditional volatility models, including GARCH, EGARCH, and TGARCH, effectively capture the dynamic volatility patterns of major cryptocurrencies such as Bitcoin, Ethereum, and Binance Coin, underscoring their suitability for modeling the persistent and asymmetric volatility characteristics of digital asset returns (Sözen, 2025). In addition, Panagiotidis et al. (2022) confirm that GARCH-family models can effectively represent the phenomenon of volatility clustering across various cryptocurrency assets with similar patterns. For Tron, the EGARCH model shows an asymmetric influence of both negative and positive shocks on volatility. During Donald Trump's inauguration period, although the volatility spike was not as large as during the election, the cryptocurrency market still showed increased volatility. This finding indicates that the cryptocurrency market is more sensitive to global sentiment and psychological factors, even in the absence of new economic policy announcements.

This phenomenon can be explained through the Sentiment Analysis theory. Donald Trump, who is known to be pro-crypto, attracted the attention of investors, so Trump's victory generated strong positive sentiment in the market. When social media timelines were filled with news of Trump's victory, it sent a signal that drove the volatility of crypto assets.

Lupu and Donoiu (2025) demonstrates that social media sentiment significantly influences cryptocurrency market behavior, as sentiment derived from platforms such as Twitter affects the returns, liquidity, and price dynamics of major cryptocurrencies, highlighting the role of public sentiment signals in shaping digital asset price movements. In fact, in the 2024 cycle, mainstream media and market analysts also noted Bitcoin's record price, which coincided with Trump's victory. This was influenced by

a more crypto-friendly policy narrative, as reported by Miller (2024) and Seatter (2024).

### Overall Discussion

The Indonesian stock market and crypto assets responded differently to the political dynamics of Donald Trump 2.0, driven by differences in information transmission mechanisms. The Kompas 100 Index only reacted significantly when there were direct economic implications, such as the announcement of an increase in US import tariffs, which triggered negative abnormal returns. This finding is in line with Wengerek et al. (2025), who showed that trade policy announcements have a negative impact on corporate profit prospects and global trade chains.

Consistent with the efficient market hypothesis, this information is reflected in stock prices, although price adjustments may occur gradually (Jabeur et al., 2025). Conversely, the US presidential election and Donald Trump's inauguration did not have a significant impact on economic fundamentals. Political uncertainty supports the view that the political effect on stock prices is highly dependent on the quality of institutions and economic openness. Thus, the response of emerging markets such as Indonesia tends to differ from that of developed markets (Fulgence et al., 2023). This finding is consistent with the Uncertain Information Hypothesis that in efficient markets, prices only react to information that is relevant to stock valuation.

Unlike the stock market, crypto assets respond strongly to global political sentiment, regardless of whether there is a direct economic impact. In other words, the crypto market reacts to changes in global sentiment and political uncertainty, rather than solely to directly measurable economic fundamentals (Jabeur et al., 2025). This pattern reflects the speculative nature of cryptocurrency assets, where political sentiment can trigger herding behavior and rapid buying and selling. In high-uncertainty conditions, Bitcoin can even serve as a safe-

haven asset, as demonstrated by Sözen (2025) and Umar et al. (2021).

This study contributes to the financial economics literature by enhancing the understanding of the relationships among political uncertainty, market efficiency, and cross-asset volatility transmission. The findings show that the Indonesian stock market exhibited only limited reactions to global political events related to the U.S. presidential election and inauguration, indicating partial information efficiency consistent with the semi-strong form of the Efficient Market Hypothesis (EMH). Furthermore, the results demonstrate that market responses vary by type of political event, with concrete economic policies, such as import tariff increases, eliciting stronger reactions than changes in political leadership alone. These findings reinforce the relevance of political uncertainty theory in explaining how different forms of political information influence investor expectations and market behavior.

This study further demonstrates that the cryptocurrency market exhibits greater sensitivity to sentiment and stronger volatility clustering than the stock market, thereby supporting the behavioural finance perspective. Overall, the differing responses between stocks and cryptocurrencies confirm the presence of heterogeneous information-processing mechanisms across asset classes. Consequently, this research enriches the volatility spillover literature and highlights the importance of a multi-theoretical framework integrating the Efficient Market Hypothesis (EMH), behavioural finance, and political risk theory to better explain the dynamics of modern financial markets.

### CONCLUSIONS AND SUGGESTIONS

This study finds that the Indonesian stock market, as represented by the Kompas 100 Index, exhibited a significant response only to Donald Trump's concrete economic policies, particularly the announcement of import tariff increases on several countries, including Indonesia. In contrast, the cryptocurrency

market experienced substantial volatility in response to global political sentiment and heightened uncertainty during the U.S. presidential election. The practical implication of these findings is that investors and portfolio managers should adopt different strategies for Indonesian stocks and cryptocurrencies in terms of investment allocation and risk management. While the evaluation of stocks should be primarily based on macroeconomic fundamentals, cryptocurrencies require an approach that integrates sentiment analysis with market behavior patterns. From a theoretical perspective, this study contributes to the literature by examining the differences in information transmission mechanisms and market efficiency, thereby highlighting the contrast between conventional financial instruments in emerging markets and digital assets. Nevertheless, the study is subject to certain limitations, including a relatively short observation period, a narrow scope of political events, and the exclusion of more comprehensive macroeconomic and geopolitical variables that may influence market reactions.

#### ACKNOWLEDGEMENTS

The authors would like to thank the Ministry of Education, Culture, Research and Technology (Kemendikbudristek) and the Higher Education Service Institution (LLDIKTI) Region XVI for funding support through research grants with master contract number 137/C3/DT.05.00/PL/2025 dated 28 May 2025 and derivative contract number 012/LPPM/UN-AZLAM/PDP-2/VI/2025 dated 4 June 2025. Sincere appreciation to the Institute of Research and Community Service of Abdul Azis Lamdjido University for technical assistance so that the implementation of research can be completed properly.

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