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Authors: Eliana Angelini, Matteo Foglia, Alessandra Ortolano, Maria Leone

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The “Donald” and the market: is there a cointegration?

Eliana Angelini¹, Matteo Foglia², Alessandra Ortolano³, Maria Leone⁴

¹Department of Economics, “G.d’Annunzio” University of Chieti-Pescara, Viale Pindaro 42, 65127 (PE), Italy. E-mail: e.angelini@unich.it. Phone: +39 0854537937

²Department of Economics, “G.d’Annunzio” University of Chieti-Pescara, Viale Pindaro 42, 65127 (PE), Italy. E-mail: matteo.foglia@unich.it

³Department of Economics, “G.d’Annunzio” University of Chieti-Pescara, Viale Pindaro 42, 65127 (PE), Italy. E-mail: alessandra.ortolano@unich.it

⁴Department of Management, Polytechnic University of Marche, Piazzale Martelli 8, 60121 (AN), Italy. E-mail: leonemaria15@gmail.com; m.leone@pm.univpm.it

Corresponding Author

Matteo Foglia

Department of Economics, “G.d’Annunzio” University of Chieti-Pescara

Viale Pindaro 42, 65127 (PE), Italy

Email: matteo.foglia@unich.it

Abstract

This paper analyses the relationship between post-election main sentiment on Donald Trump and financial markets. The sample period, spans from 8 November (the election Day) and 28 February. Our study intends to verify if there exist a co-implication between Trump’s Favorable (TF), namely the percentage of favorable opinions on Trump, and some financial variables (i.e. stock and Treasury returns, currency and commodities). The results of cointegration analysis show that Trump’s Favorable has explanatory power for stock market returns, 10 long term Treasury bond and decrease of gold. Furthermore, we found no evidence of the opposite relation.

Keywords: Trump’s Favorable, financial cointegration, poll sentiment, markets

JEL codes: G10, G14, G11

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