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Political Energy Rhetoric and Market Reactions: Event Study of Global Equity, Fossil, and Renewable Assets

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ABSTRACT

This study investigates the market reactions to Donald Trump's 2024 presidential announcement, focusing on its impact on equity markets, coal, and clean energy assets. Given the limited research on how pro-fossil fuel political rhetoric affects both traditional and emerging energy sectors, this study highlights the spillover effects between fossil and clean energy markets. Using event study methodology, the analysis covers a 10-day window surrounding the announcement (t–5 to t+5), calculating abnormal returns (AR), average abnormal returns (AAR), and cumulative average abnormal returns (CAAR) across various markets. The results show positive abnormal returns in equity markets of Canada, China, and Saudi Arabia, reflecting optimism toward energy and trade policies. However, fossil fuel markets showed mixed reactions, with significant declines in crude oil and natural gas. Renewable energy assets, including Canadian Solar and First Solar, suffered losses, as did the electric vehicle and lithium sectors, particularly companies like Tesla and Tianqi. The findings contribute to the understanding of market sensitivity to political energy signals and offer valuable insights for investors and policymakers, with future research suggesting a need for exploring the long-term impact of policy shifts on market behaviour and stability.

INTRODUCTION

Following the foundational work of Fama (1970) and Fama et al. (1969) on the Efficient Market Hypothesis, event study methodology has become a critical tool in financial research (Boubaker et al., 2015). Event study methodology has become a critical tool in financial research due to its ability to assess the impact of specific events on stock prices and other financial metrics. This methodology is widely used to analyse the effects of various events, such as mergers and acquisitions, stock splits, earnings announcements, financial crises, and regulatory changes on the financial condition of companies and markets (El Ghoul et al., 2023; Ramiah et al., 2017; Sasikumar & Sundaram, 2024). Among the various economic and political events that influence financial markets (Belcaid & El Ghini, 2019; Msomi & Kunjal, 2024), energy policies (Liu et al., 2025; Liu et al., 2021; Smales, 2021) and geopolitical shifts have emerged as key drivers of stock market volatility (Hu & Borjigin, 2024; Liu et al., 2025). Political decisions, especially those affecting resource allocation, have the potential to disrupt asset valuations, investor sentiment, and overall market stability (Bialkowski et al., 2012).

The literature on fossil fuel expansion, deregulation and its intersection with energy sectors remains limited. While event studies have assessed political impacts on markets (Belcaid & El Ghini, 2019; L. Liu et al., 2025), few have explored how policies like political deregulation and political shifts impact traditional energy or general renewables (Ferreira et al., 2022; Y. Liu et al., 2021). Deregulation reduces risk, encouraging more fossil investment and production (Bauer et al., 2018; Gyparis & Sidiras, 2018). Although the Paris Agreement set strong goals, its short-term effect was modest, about a 1% CO_2 reduction (Rezaei Sadr et al., 2022). Without enforcement, markets may return to pre-agreement dynamics, boosting coal use and fossil revenues (Bauer et al., 2015). Deregulation also threatens supply-side climate actions (Barton, 2021; Zakkour et al., 2021), lowers fossil prices, and slows renewable adoption. It can redirect investments from clean to fossil energy (Canal Vieira et al., 2022; Mech & Rouse, 2006), benefiting exporters like those in the Middle East (Bauer et al., 2016; Khabbazan & von Hirschhausen, 2021) and increasing risk spillovers across markets (Ding et al., 2022). The gap is more urgent considering the global surge in EV adoption and lithium demand (Jannesar Niri et al., 2024). Pro-fossil fuel signals can reduce investor confidence in clean energy sectors by implying weaker policy support. Volatility in fossil markets often spills over into renewable stocks more than the reverse (Song et al., 2019), while strong policy backing has historically boosted clean energy and EV investments (Henriques & Sadorsky, 2018; Wan et al., 2021). Uncertainty about lithium supply and future regulation further raises risks, affecting market valuations (Berezkin et al., 2023; Burney & Killins, 2023; Speirs & Contestabile, 2018). However, there is still a lack of focused studies investigating how political announcements aligned with fossil fuel expansion affect global financial markets and clean energy investor sentiment. This study addresses that gap by analysing market reactions, with particular attention to the implications for EVs, lithium, and the broader clean energy transition.

We employ an event study methodology to analyse market reactions to presidential announcements, focusing on fossil energy, clean energy, electric vehicles, and lithium-related assets. The analysis begins with a review of raw returns across all observed assets during the event window. We then calculate expected returns, abnormal returns (AR), average abnormal returns (AAR), and cumulative average abnormal returns (CAAR) to capture both immediate and aggregated market responses. To enhance the reliability of the findings, we perform robustness checks on each market panel, including equities, fossil fuels, coal, renewables, and the EV-battery sector. This approach enables a detailed assessment of how political energy signals influence financial market behaviour across interconnected sectors.

This study contributes to the literature by examining how pro-fossil fuel political announcements affect both traditional and clean energy markets, including underexplored sectors like electric vehicles and lithium. It highlights the market's sensitivity to political energy signals, revealing abnormal return patterns across equity, coal, renewable, and EV-related assets. The findings underscore the spillover effects between fossil and clean energy markets, offering practical insights for investors and policymakers. Methodologically, the study advances event analysis by applying robustness checks across multiple asset classes, enhancing the reliability of cross-sector market impact assessments.

LITERATURE REVIEW

Political events are crucial drivers of financial market behaviour, affecting investor sentiment, asset prices, and volatility. Political changes introduce uncertainty, prompting market participants to adjust their strategies based on anticipated economic policies and risks. Events like elections, policy shifts, and geopolitical risks create unpredictability, influencing market outcomes. Directly, political changes impact financial markets by altering sovereign interest rate spreads. Improved democracy and government accountability tend to lower spreads, while political risk increases them (Akitoby & Stratmann, 2010). Additionally, long-term political shifts can affect stock returns, as seen in the post-1987 crash, with positive impacts on DJIA returns and reduced market risk (Wang & Chuang, 2009). Political uncertainty, especially during elections, raises market volatility (Smales, 2014, 2015). Indirectly, political activism can bias media coverage, influencing market reactions to earnings announcements. Rees & Twedt (2022) show that media bias against a firm's political ideology can weaken positive reactions to good earnings and heighten negative responses to bad news. Political uncertainty, such as Brexit, affects global equity markets, commodities, and currencies, with rapid market adjustments (Gu & Hibbert, 2021). Political events also heighten market volatility, particularly during elections, as unexpected outcomes prompt investors to reassess risk (Akinyede et al., 2022). Divided governments may reduce volatility by lowering policy risk, as seen in the German stock market (Bechtel & Füss, 2008). Geopolitical risk influences commodity prices and market volatility, especially in markets like coal, crude oil, and gold (Zheng et al., 2023). Political uncertainty during elections or instability can also depress major stock indices, particularly in emerging markets (Kwon & Kim, 2024; Yonce, 2015).

RESEARCH METHODS

This study uses the event study methodology. Event study is a useful method for assessing the impact of specific events on stock prices and returns (Cichello & Lamdin, 2006; El Ghoul et al., 2023; Ramiah et al., 2017; Sasikumar & Sundaram, 2024). Its versatility allows application across different fields and types of events (Bohn et al., 2013; Corrado, 2011). It has predictive power, enabling researchers to estimate the effects of new regulations before real-world data is available (Reynolds, 2008). The method is known for its methodological rigour through the use of statistical techniques to calculate abnormal returns (Kaul & Arora, 2024; Obradović & Tomić, 2017; Ramiah et al., 2015). It is applied globally in various sectors and international finance (Gong, 2009; Ncube et al., 2023). Additionally, it provides insights into investor behaviour and market sentiment (Ji et al., 2024). This study uses daily data of equity market energy, Coal, Renewable Energy, Electric Vehicle and Battery Industries, and equity markets.

The -5-day period is intended to capture any pre-event adjustments, as investors might start reacting to early news or signals about the conflict. Meanwhile, the +5-day window reflects the post-event market response, allowing initial volatility to settle and giving investors time to factor new information into their decision-making (Lin & Tsai, 2019; Nadig, 2017; Yousaf et al., 2022). The estimation of the day window in event study using Google Trends. Google Trends is a powerful tool for event studies due to its ability to provide real-time data, its wide range of applications, predictive power, cost-effectiveness, and the ability to validate data against offline sources (Braun & Harréus, 2013; Erokhin & Komendantova, 2024; Mavragani & Ochoa, 2019; Menzel et al., 2023; Rojas et al., 2024; Timoneda & Wibbels, 2022).

Table 1 The 10-Day Window

-5	-4	-3	-2	-1	Event Day	+1	+2	+3	+4	+5
January 13, 2025	January 14, 2025	January 15, 2025	January 16, 2025	January 17, 2025	January 21, 2025	January 22, 2025	January 23, 2025	January 24, 2025	January 25, 2025	January 27, 2025

Source: Author's work (2025)

Table 1 presents a 10-day event window surrounding a key event dated January 21, 2025. This window is divided into three segments: a pre-event period from January 13 to January 17, the event day itself on January 21, and a post-event period from January 22 to January 27. This structure is commonly used in event studies to observe fluctuations in public interest or market response before, during, and after a significant event. By framing the analysis within this timeline, researchers can identify any abnormal changes, such as spikes in search interest using Google Trends, that may be directly associated with the event, offering insights into its immediate impact. Following Ijaz et al. (2025), we calculate the expected returns by applying the Ordinary Least Squares model:

$$E(R_{i,t}) = \propto_1 + \gamma_i R_{m,t} \quad (1)$$

The Return of Individual Asset ($R_{i,t}$) is the return of a specific asset at time *t,* and the Market Return ($R_{m,t}$) is the return of the market at time t, often represented by a benchmark index like the MSCI World Index, which provides a global benchmark (Cam & Ramiah, 2014; El Ghoul et al., 2023; Hachicha et al., 2008). The MSCI World Index includes a broad range of developed market equities, making it a comprehensive benchmark for assessing the impact of global events on stock markets. Using the MSCI World Index allows for a standardised comparison across different markets and events, ensuring consistency in the analysis of abnormal returns (Goyal & Soni, 2023; Grinius & Baležentis, 2025). However, given the specific nature of the announcement signals strong support for the global markets (Ahmed et al., 2025; Antoniuk & Leirvik, 2024; Pham et al., 2018) and the investors' expectation of the policies (Diaconaşu et al., 2023; Nishimura & Sun, 2025). Thus, it is a reasonable benchmark for our study. Next, we compute abnormal returns (AR) using the equation expressed below:

$$AR_{i,t} = R_{i,t} - E(R_{i,t}) \quad (2)$$

We use daily abnormal returns to understand how global lithium stocks responded to Trump's announcement. This allows us to capture immediate changes in investor behaviour around the event. Although daily returns can be influenced by random market fluctuations, especially during periods of political uncertainty, they remain valuable for examining short-term market reactions. In this study, we also calculate the average abnormal returns (AAR) and the cumulative average abnormal returns (CAAR) to assess the overall market response before and after the announcement. AAR helps in understanding the average effect of the announcement on stock prices over a specific period. This method aggregates daily abnormal returns to provide a clearer picture of the market's average response (Caporale & Plastun, 2021; Willows & Rockey, 2018). CAAR is used to measure the total impact of the announcement over a longer period. It sums up the AARs over the event window, providing insights into the sustained market reaction (Y. L. Wang et al., 2017; Wong & Hooy, 2021), as well as:

$$AAR_{i,t} = \frac{1}{N} \sum_{t=1}^{N} AR_{i,t} \quad (3)$$

Subsequently, we utilise the mean abnormal returns to calculate the cumulative average abnormal returns (CAAR), which represent the accumulation of mean abnormal returns (AAR) across the event window spanning from *t1* to *t2*.

$$CAAR_{i(t1,t2)} = \sum_{t=t1}^{t=t2} AAR_{i,t} \quad (4)$$

RESULT AND DISCUSSION

Figure 1 presents the weekly performance of various energy-related assets and companies. Notably, Natural Gas experienced the most significant decline at -15%, followed by Heating Oil and First Solar, indicating a broader downturn in the fossil fuel segment. Conversely, GE Aerospace showed the highest positive performance, albeit marginal. Most renewable energy firms, including Vestas Wind and Canadian Solar, also saw slight to moderate declines. The overall trend reflects bearish sentiment across both traditional and renewable energy markets during the observed week, possibly due to macroeconomic pressures or market adjustments. The results section is where the findings of the study based upon the methodology are reported. The results section should state the findings of the research arranged in a logical sequence without bias or interpretation. A section describing results is particularly necessary if the paper includes data generated from the current research.

On the event day, equity markets in major countries such as the United States, Canada, Russia, China, and Saudi Arabia experienced positive and statistically significant abnormal returns. For instance, the US market showed an abnormal return of 0.47% (p = 0.001), while Saudi Arabia had 0.23% (p = 0.001). These results indicate a favourable market reaction in response to the event, suggesting investor optimism or perceived economic benefit in these regions. In contrast, the energy sector exhibited a more negative response. Both Brent Oil and Crude Oil WTI experienced significant negative abnormal returns at -0.39% (p = 0.075) and -0.22% (p = 0.001), respectively. Similarly, Natural Gas declined by -0.97% (p = 0.042). This pattern reflects a bearish sentiment, potentially due to concerns over supply-demand disruption or geopolitical implications related to the event.

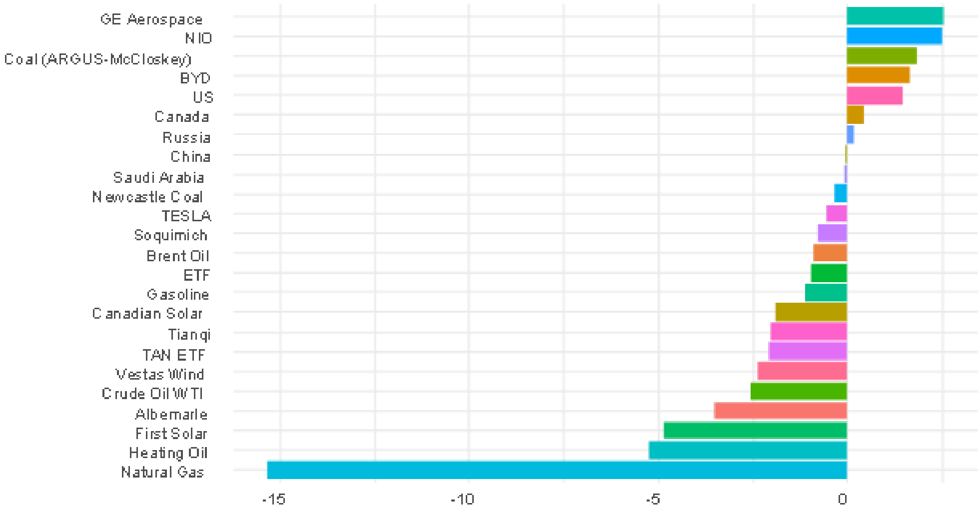

Figure 1 Market Returns on Event Day

On the event day, equity markets in major countries such as the United States, Canada, Russia, China, and Saudi Arabia experienced positive and statistically significant abnormal returns. For instance, the US market showed an abnormal return of 0.47% ($p = 0.001$), while Saudi Arabia had 0.23% ($p = 0.001$). These results indicate a favourable market reaction in response to the event, suggesting investor optimism or perceived economic benefit in these regions. In contrast, the energy sector exhibited a more negative response. Both Brent Oil and Crude Oil WTI experienced significant negative abnormal returns at -0.39% ($p = 0.075$) and -0.22% ($p = 0.001$), respectively. Similarly, Natural Gas declined by -0.97% ($p = 0.042$). This pattern reflects a bearish sentiment, potentially due to concerns over supply-demand disruption or geopolitical implications related to the event.

Table 2 Abnormal Return on Event Day

Panel A: Country Market	
US	0.47%*** (0.001)
Canada	0.32%** (0.018)
Russia	0.21%** (0.046)
China	0.19%** (0.011)
Saudi Arabia	0.23%*** (0.001)
Panel B: Energy Market	
Brent Oil	-0.39%* (0.075)
Crude Oil WTI	-0.22*** (0.001)
Gasoline	-0.33% (0.312)
Heating Oil	-0.07% (0.713)
Natural Gas	-0.97%** (0.042)
Panel C: Coal Market	
Coal (ARGUS-McCloskey)	0.42%*** (0.006)
Newcastle Coal	0.04% (0.559)
Panel D: Renewable Energy Market	
Canadian Solar	-1.58%*** (0.001)
First Solar	-1.46%*** (0.001)
TAN ETF	-0.39%*** (0.001)
GE Aerospace	1.16%*** (0.003)
ETF	-0.11%*** (0.001)
Vestas Wind	-0.11% (0.773)
Panel E: Electric Vehicle & Battery Industry	
BYD	0.84%*** (0.001)
NIO	0.36% (0.336)
TESLA	0.12% (0.451)
Albemarle	-0.02% (0.878)
Soquimich	0.14% (0.479)
Tianqi	-0.41% (0.001)

Note: The table displays abnormal returns (AR) for different markets. *p*-values in parentheses and *** *p*-value <0.01, ** *p*-value <0.05, * *p*-value <0.1

Within the coal markets, a split response was observed. Coal (ARGUS-McCloskey) showed a strong and significant positive abnormal return of 0.42% (p = 0.006), indicating bullish expectations, possibly tied to future energy demand. Meanwhile, Newcastle Coal remained statistically unaffected with a small and insignificant return of 0.04% (p = 0.559). The renewable energy and green technology sector faced considerable downward pressure. Companies such as Canadian Solar (-1.58%, p = 0.001) and First Solar (-1.46%, p = 0.001) recorded sharp and statistically significant negative returns. Similarly, the TAN ETF, representing the broader clean energy sector, dropped by -0.39% (p = 0.001). These results suggest that the event was perceived as unfavourable to clean energy development or profitability. Interestingly, GE Aerospace experienced a positive spike of 1.16% (p = 0.003), hinting that aerospace or defence-related firms may be viewed as beneficiaries in the aftermath. In the electric vehicle (EV) and battery sector, the responses were mixed. BYD stood out with a significant positive abnormal return of 0.84% (p = 0.001), signalling investor confidence. However, other players like TESLA (0.12%), NIO (0.36%), and Soquimich (0.14%) showed non-significant changes. On the other hand, Tianqi, a key lithium supplier, experienced a significant drop of -0.41% (p = 0.001), potentially due to supply chain concerns or shifting expectations for battery materials.

Table 3 Abnormal and Expected Returns

	t-5	t-4	t-3	t-2	t-1	t	t+1	t+2	t+3	t+4	t+5
US	-0.253	0.078	0.576	-0.009	-0.392	0.798	-1.010	0.082	-0.616	-0.872	-0.719
	(0.698)	(0.601)	(0.707)	(0.657)	(0.693)	(0.661)	(0.675)	(0.681)	(0.710)	(0.785)	(0.672)
Canada	0.348	0.947	0.291	0.600	0.378	0.574	0.487	0.455	0.272	-0.191	0.509
	(0.213)	(0.816)	(0.230)	(0.892)	(0.414)	(0.437)	(0.118)	(0.484)	(0.135)	(-0.704)	(0.515)
Russia	-0.999	-0.171	1.520	0.901	-1.250	-0.149	0.795	-2.120	-0.173	-3.750	0.949
	(0.769)	(-0.407)	(0.882)	(0.274)	(0.711)	(0.325)	(0.497)	(0.560)	(0.920)	(1.830)	(0.454)
China	1.630	0.029	-0.756	-0.152	-0.756	-0.444	-1.480	-0.146	-0.381	-2.190	-1.190
	(0.902)	(-0.456)	(1.030)	(0.331)	(0.835)	(0.390)	(0.588)	(0.661)	(1.080)	(2.130)	(0.539)
Saudi Arabia	0.065	-0.084	-0.100	0.184	-0.065	-0.517	-0.502	-0.513	-0.200	-0.603	-0.056
	(0.454)	(0.408)	(0.458)	(0.435)	(0.452)	(0.437)	(0.443)	(0.446)	(0.460)	(0.496)	(0.442)
Brent Oil	0.135	0.419	0.932	-0.691	-0.795	-0.800	0.304	0.067	1.940	4.210	1.020
	(-1.480)	(2.220)	(-1.830)	(0.076)	(-1.300)	(-0.085)	(-0.623)	(-0.822)	(-1.950)	(-4.810)	(-0.490)
Crude Oil	0.680	0.326	1.420	-0.187	-2.240	-2.830	-1.290	-1.940	-1.680	-5.970	0.229
	(1.370)	(-1.530)	(1.640)	(0.149)	(1.220)	(0.275)	(0.696)	(0.851)	(1.740)	(3.970)	(0.591)
Gasoline	0.809	0.163	-1.830	-1.020	1.880	-1.470	-1.290	0.627	0.251	1.150	1.160
	(-0.762)	(2.250)	(-1.050)	(0.507)	(-0.612)	(0.376)	(-0.063)	(-0.225)	(-1.150)	(-3.480)	(0.046)
Heating Oil	1.640	-0.145	1.810	0.892	1.560	0.969	1.230	1.330	1.870	3.250	1.170
	(1.300)	(-0.375)	(2.850)	(1.840)	(0.145)	(-5.260)	(-2.260)	(-0.157)	(1.020)	(0.490)	(-0.402)
Natural Gas	-0.512	-0.978	4.020	4.010	-6.550	-15.500	5.120	12.900	3.290	-4.890	-5.970
	(-0.867)	(1.840)	(-1.130)	(0.272)	(-0.732)	(0.155)	(-0.239)	(-0.385)	(-1.210)	(-3.310)	(-0.142)
Coal (ARGUS-McCloskey)	2.490	-2.440	0.624	0.031	0.799	1.390	-1.790	-0.674	-0.551	-0.496	0.335
	(0.454)	(0.408)	(0.458)	(0.435)	(0.452)	(0.437)	(0.443)	(0.446)	(0.460)	(0.496)	(0.442)
Newcastle Coal	-0.100	-0.793	-0.756	1.720	-0.073	-0.879	-1.520	-0.937	-1.130	-3.260	-0.205
	(0.886)	(-0.030)	(0.974)	(0.501)	(0.841)	(0.541)	(0.674)	(0.723)	(1.000)	(1.710)	(0.641)
Canadian Solar	-0.912	-0.174	-0.166	0.259	0.993	0.231	-2.430	5.870	2.920	-2.230	-2.620
	(-1.550)	(-3.100)	(-1.400)	(-2.200)	(-1.620)	(-2.130)	(-1.910)	(-1.820)	(-1.350)	(-0.145)	(-1.960)
First Solar	-2.930	-0.607	0.987	1.550	1.000	-5.420	-6.650	1.040	-3.120	-0.863	-2.860
	(-0.042)	(1.550)	(-0.194)	(0.630)	(0.038)	(0.560)	(0.328)	(0.243)	(-0.246)	(-1.480)	(0.386)
TAN ETF	-1.150	-0.117	1.370	0.685	-0.795	-2.330	-3.380	2.880	0.551	-0.128	-2.160
	(-0.084)	(0.770)	(-0.165)	(0.275)	(-0.041)	(0.238)	(0.114)	(0.068)	(-0.193)	(-0.853)	(0.145)
GE Aerospace	-0.972	0.822	1.170	-1.780	0.761	1.130	-0.758	5.460	-2.740	-0.841	-1.280
	(0.902)	(2.260)	(0.772)	(1.470)	(0.969)	(1.410)	(1.220)	(1.140)	(0.728)	(-0.323)	(1.270)
ETF	-0.800	0.140	0.815	-0.146	-0.010	-1.370	-2.940	0.981	-0.516	-0.503	-1.020
	(0.354)	(0.487)	(0.341)	(0.410)	(0.361)	(0.404)	(0.385)	(0.378)	(0.337)	(0.234)	(0.390)
Vestas Wind	0.350	-0.060	-2.570	-0.808	3.090	-3.430	-2.930	2.820	3.640	4.830	-1.470
	(-1.190)	(4.810)	(-1.760)	(1.340)	(-0.890)	(1.070)	(0.202)	(-0.120)	(-1.960)	(-6.590)	(0.418)
BYD	0.632	0.014	-1.820	-0.663	1.840	-0.142	-3.150	-4.340	-1.330	-3.980	-2.670
	(2.500)	(0.687)	(2.670)	(1.740)	(2.410)	(1.810)	(2.080)	(2.180)	(2.730)	(4.130)	(2.010)
NIO	-3.080	-0.640	-0.294	1.110	2.900	2.060	-6.790	-0.802	-2.290	-1.420	-0.803
	(1.710)	(-1.670)	(2.030)	(0.286)	(1.540)	(0.433)	(0.925)	(1.110)	(2.140)	(4.760)	(0.803)
TESLA	-1.500	2.010	3.660	-3.920	-0.242	-1.450	-4.070	-3.010	-6.030	-12.700	-1.450
	(3.670)	(-3.730)	(4.380)	(0.559)	(3.310)	(0.880)	(1.960)	(2.360)	(4.620)	(10.300)	(1.690)
Albemarle	2.440	1.100	-0.900	-2.850	0.204	-5.640	-6.620	-3.250	-4.880	-6.170	-5.700
	(3.320)	(0.123)	(3.620)	(1.970)	(3.160)	(2.110)	(2.580)	(2.750)	(3.720)	(6.190)	(2.460)
Soquimich	0.946	0.773	0.258	-1.750	-0.224	-1.880	-4.280	0.756	0.176	-0.267	-0.134
	(0.436)	(2.210)	(0.266)	(1.180)	(0.524)	(1.100)	(0.846)	(0.751)	(0.209)	(-1.160)	(0.910)
Tianqi	0.101	0.444	0.967	-0.745	-0.766	-2.780	-2.540	-2.760	0.837	-0.305	-3.480
	(0.536)	(1.030)	(0.489)	(0.745)	(0.561)	(0.724)	(0.651)	(0.625)	(0.473)	(0.089)	(0.669)

Note: Table 3 provides Abnormal dan Expected return

Table 3 presents the abnormal and expected returns across a range of equity markets and energy-related assets over the event window from t–5 to t+5 surrounding Donald Trump's 2024 presidential announcement. Overall, the results suggest a heterogeneous market response across sectors, consistent with prior studies indicating that political announcements tend to produce asymmetric effects depending on perceived policy direction and sectoral sensitivity (Smales, 2021). Equity markets in several countries responded positively on the event day (t=0). Canada, China, and Saudi Arabia recorded abnormal returns of 0.575%, 0.547%, and 0.513% respectively, reflecting investor optimism, possibly linked to expectations of more favourable trade, energy, or geopolitical policies under a pro-fossil fuel administration.

On the announcement day (t=0), several equity markets showed positive abnormal returns. Canada (0.575%), China (0.547%), and Saudi Arabia (0.513%) all recorded notable gains, likely reflecting optimism about trade or energy policies under a pro-fossil fuel U.S. administration. For Canada, investor sentiment may have been influenced by expectations of improved trade relations with China, especially in the resource and energy sectors (Singh & Roca, 2022). In China's case, while policy uncertainty typically suppresses liquidity, positive investor sentiment can offset this effect, producing short-term market gains (Liu et al., 2025; Liu & Ma, 2021). In Saudi Arabia, which is heavily oil-dependent, the market reaction can be interpreted as a response to anticipated oil price stability or growth (Azar & Basmajian, 2013; Jouini & Khallouli, 2019). In the United States, markets posted a mild gain of 0.082%, consistent with historical resilience during geopolitical events due to its deep financial markets and the availability of hedging instruments like sector ETFs and gold (Ali et al., 2023). In contrast, the Russian market fell sharply (–0.965%), likely a result of intensifying geopolitical risk tied to the Russia–Ukraine conflict, which continues to weigh heavily on investor sentiment (Ahmed et al., 2023; Boungou & Yatié, 2024).

In the fossil fuel segment, crude oil (–1.942%) and natural gas (–1.220%) experienced significant declines, pointing to investor concerns over oversupply or regulatory risk in an increasingly climate-conscious environment. These reactions align with findings that political shifts can disrupt market expectations regarding future energy demand and supply (van Benthem et al., 2022; Wu & Mai, 2024). In contrast, refined products like gasoline (0.627%) and heating oil (0.093%) posted gains, suggesting resilience in specific energy subsectors, possibly driven by seasonality or more stable demand fundamentals (Du et al., 2016; Zhang & Li, 2019). Brent oil remained flat (0.046%), signalling market indecision and a wait-and-see stance amidst geopolitical ambiguity (Maghyereh et al., 2020). Coal markets responded divergently. The ARGUS-McCloskey index gained 0.674%, likely reflecting expectations of regulatory relaxation and increased domestic coal use under a Republican administration (Bauer et al., 2015; Caldwell, 2019). On the other hand, Newcastle coal declined sharply (–1.520%), which may reflect regional oversupply concerns and differing demand projections, especially in Asia-Pacific markets.

Renewable energy assets showed broad declines, reinforcing the sector's sensitivity to political signals perceived as hostile to green energy transitions. Canadian Solar (–2.430%), First Solar (–1.680%), and the TAN ETF (–2.860%) all experienced substantial losses, consistent with prior studies linking political instability to renewable investment risk (Henriques & Sadorsky, 2018; Wan et al., 2021). However, Vestas Wind showed a slight gain (0.378%), possibly due to its international diversification and limited dependence on U.S. policy frameworks. GE Aerospace gained 0.723%, a move potentially driven by market anticipation of increased defence and infrastructure spending, which historically aligns with Republican fiscal agendas (Forbes, 2016; Herwartz & Theilen, 2021). Given the aerospace industry's reliance on government contracts, especially in defence, such policy expectations tend to translate into higher investor confidence (Soshkin, 2016).

In the electric vehicle and battery sector, performance was mixed. BYD posted a strong positive return (1.360%), likely due to its dominance in the Chinese market and minimal exposure to U.S. political risk (Guo et al., 2022). In contrast, Tesla (–0.573%), NIO (–0.138%), and Tianqi Lithium (–1.267%) declined, reflecting concerns about potential rollbacks in EV incentives and increased fossil fuel competitiveness (Li et al., 2019; Zhao et al., 2024). Tianqi's drop is particularly notable, suggesting investor uncertainty around lithium demand amid changing policy direction. Albemarle also declined (–1.350%), whereas SQM posted a slight gain (0.152%), possibly due to firm-specific strengths or downstream market positioning that mitigated broader sector risks (Kianrad et al., 2024; Kong et al., 2024).

Figure 2 illustrates the CAAR trends over the 11-day event window across various market categories, highlighting divergent responses to Donald Trump's 2024 presidential announcement. The full sample shows a relatively stable CAAR prior to the event, followed by a sharp and continuous decline from day 0 onward, reaching approximately -5.5% by day +5. This suggests an overall negative market sentiment triggered by the announcement. Country-level markets exhibit a milder reaction, with a positive CAAR trend leading up to the event, but a noticeable drop begins on the event day, ending near –2% by day +5. This indicates short-term optimism that quickly shifted to caution.

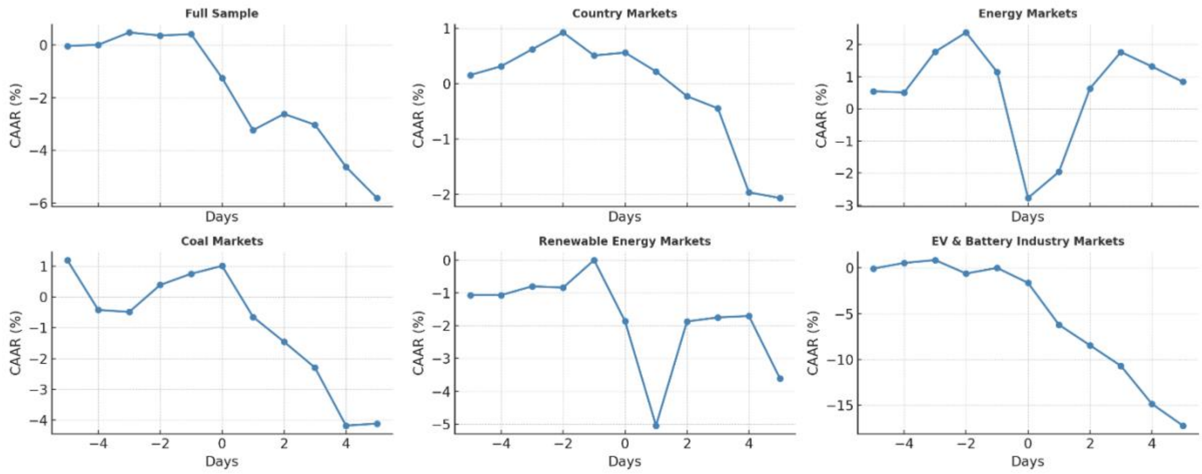

Figure 2 Visualisation of All Markets

In contrast, energy markets initially responded positively, peaking just before the announcement, then experienced a brief dip on day 0 before partially recovering, though failing to sustain momentum. Coal markets display a similar trajectory: a small increase before the event followed by a marked decline, ending near –4%, likely due to uncertainty about future policy implementation despite expected regulatory easing. Renewable energy markets show the most volatile behaviour, with a significant drop in CAAR on the event day and an overall negative trajectory, consistent with the view that pro-fossil rhetoric undermines clean energy investor confidence. Finally, the EV and battery industry markets suffered the steepest and most consistent decline, plunging from a stable position to nearly –16% CAAR by day +5. This highlights the sector's heightened sensitivity to policy signals, particularly those perceived as reducing support for electric vehicle infrastructure and critical minerals.

Table 4 Average and Cumulative Abnormal Return All Markets

	t-5	t-4	t-3	t-2	t-1	t	t+1	t+2	t+3	t+4	t+5
Panel A: Full Sample											
AAR	-0.039	0.044	0.468	-0.116	0.052	-1.662	-1.979	0.616	-0.412	-1.591	-1.184
CAAR	-0.039	0.005	0.473	0.357	0.409	-1.253	-3.231	-2.616	-3.028	-4.619	-5.803
Panel B: Country Markets											
AAR	0.158	0.160	0.306	0.305	-0.417	0.052	-0.342	-0.448	-0.220	-1.521	-0.101
CAAR	0.158	0.318	0.624	0.929	0.512	0.565	0.223	-0.226	-0.445	-1.967	-2.068
Panel C: Energy Markets											
AAR	0.550	-0.043	1.270	0.601	-1.229	-3.926	0.815	2.597	1.134	-0.450	-0.478
CAAR	0.550	0.507	1.778	2.379	1.150	-2.777	-1.962	0.635	1.769	1.319	0.841
Panel D: Coal Markets											
AAR	1.195	-1.617	-0.066	0.875	0.363	0.256	-1.655	-0.806	-0.841	-1.878	0.065
CAAR	1.195	-0.422	-0.488	0.388	0.751	1.006	-0.649	-1.454	-2.295	-4.173	-4.108
Panel E: Renewable Energy Markets											
AAR	-1.069	0.001	0.268	-0.040	0.840	-1.865	-3.181	3.175	0.123	0.044	-1.902
CAAR	-1.069	-1.068	-0.801	-0.841	-0.001	-1.866	-5.047	-1.872	-1.749	-1.705	-3.607
Panel F: EV & Battery Industry Markets											
AAR	-0.077	0.617	0.312	-1.470	0.619	-1.639	-4.575	-2.234	-2.253	-4.140	-2.373
CAAR	-0.077	0.540	0.852	-0.618	0.001	-1.638	-6.213	-8.447	-10.700	-14.840	-17.213

Table 4 presents the Average Abnormal Returns (AAR) and Cumulative Average Abnormal Returns (CAAR) across six market panels over the 11-day event window. For the full sample (Panel A), the CAAR was relatively stable prior to the event but showed a significant and continuous decline beginning on the event day (t=0), dropping from –1.253% to –5.803% by day +5. This indicates a broad negative market response to Trump's presidential announcement, suggesting growing investor concern over the implications of potential pro-fossil fuel policies. Panel B (Country Markets) reveals a more muted reaction. Although the CAAR rose steadily in the pre-event days, peaking at 0.929% on t–2, it reversed direction post-event and declined to –2.068% by t+5. This suggests that initial optimism—likely driven by expectations of favourable domestic policy—was tempered by market reassessment once the announcement materialised. Panel C (Energy Markets) shows more volatility. A strong build-up in CAAR was observed before the event, peaking at 2.379% on t–2. However, this was followed by a sharp decline on the event day (–2.777%), suggesting that although investors initially anticipated benefits for fossil energy, the announcement triggered uncertainty or selloffs possibly tied to global energy market dynamics or geopolitical risk (Ding et al., 2022; Liu et al., 2025).

Coal markets (Panel D) displayed a distinctive pattern. After an early CAAR increase to 1.006% by t–1, there was a substantial post-event drop, reaching –4.108% by t+5. This highlights a short-lived optimism quickly replaced by downward pressure, possibly due to concerns over market saturation or international climate response (Barton, 2021). Renewable energy markets (Panel E) responded more sharply. Despite a minor rally at t+2 (CAAR: 3.175%), the overall trend was negative, with the CAAR falling to –3.607% by the end of the window. The initial post-event collapse (–5.047% on t+1) underscores how political signals favouring fossil fuels can strongly depress investor sentiment in clean energy sectors, echoing prior findings that these markets are highly policy-sensitive (Henriques & Sadorsky, 2018; Wan et al., 2021). The most severe impact was observed in Panel F (EV & Battery Industry Markets). The CAAR plunged from a pre-event high of 0.852% on t–3 to –17.213% by t+5, indicating significant capital flight from the sector. This dramatic decline reflects heightened market sensitivity to political rhetoric that may threaten regulatory support, demand projections, and investment in EV-related infrastructure and lithium supply chains (Berezkin et al., 2023; Speirs & Contestabile, 2018).

CONCLUSIONS

The study investigates market reactions to Trump's fossil fuel policy announcements, showing that the energy sector, particularly oil and gas companies, benefited from pro-fossil fuel policies, while renewable energy sectors like solar and wind experienced losses due to reduced government support. The electric vehicle (EV) and battery industry also saw declines, driven by reduced incentives for EVs and competition from cheaper fossil fuels. Traditional power companies relying on coal and natural gas saw positive effects, while renewable energy utilities faced negative impacts. The mining and commodities sector experienced a decline in demand for lithium, cobalt, and rare earth metals due to slower EV adoption, while oilfield services and equipment gained from expectations of increased fossil fuel exploration. Financial markets showed heightened volatility, especially in energy and EV-related stocks, as investors reacted to the uncertainty surrounding policy shifts. The study is limited by its focus on a single political event, which may not capture long-term market trends or the cumulative effects of multiple policy announcements. Additionally, it concentrates on specific energy sectors and may not fully account for broader macroeconomic factors. Future research could explore the long-term impacts of political shifts on energy markets and other sectors, as well as how similar political events in different regions affect global markets.

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