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Responses in 8 MSCI Asian Emerging Markets Countries Post-Trump's Win US Presidential Election 2024

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Abstract - *The US presidential election is often considered to be a big global event that can affect the atmosphere of investors and cause financial market fluctuations. The 2024 election that took Donald Trump back to power has raised fresh concerns regarding the possible protectionist policies that could disrupt international trade and the flow of capital. This study considers the pre and post-Trump market reaction in eight countries included in MSCI Asia Emerging Markets Index: Indonesia, Malaysia, the Philippines, South Korea, Taiwan, Thailand, China and India. It uses an event study approach which examines abnormal returns in a period of 7 days (t-3 to t+3) to understand short term market changes linked with political uncertainty. The significance of these reactions is evaluated by means of statistical tests. This study is expected to provide an insight into how the emergent Asian markets respond to major global political changes and how it influences investor decisions in the context of geopolitical changes.*

Keywords – Abnormal Return, Asian Emerging Markets, US Election, Market Responses

I. INTRODUCTION

The 2024 presidential elections in the US have become a critical event to which international financial markets are paying attention, especially due to the reentry of Donald Trump in politics. The protectionist approach of his predecessor administration (America First) was also marked by the confrontation of the trade policy and substitution of various multilateral agreements, which before caused an enormous uncertainty in the world economy. In the emerging markets in Asia where the business growth largely depends on the international trade and investment, the unpredictability about the US policy is not a mere political issue. It is a direct economic indicator that might influence investor confidence and trigger movement of stock markets [1]. An increase in geopolitical risk will normally lead to a higher volatility in the stock markets and developing countries will often have a stronger reaction to global political wars. In this regard, much attention should be paid to Asian emerging markets [2]. The region is a major manufacturing center in the world, and it highly depends on exports, foreign investment, and stability of the U.S. dollar. Although much of the existing studies focus on developed economies, similar patterns can be observed in Asian emerging markets throughout the major political events such as the election of Trump. Other than the short-term market shocks that tend to happen after such incidences, such economies may face medium to long-term challenges when the U.S. protectionist policies continue to prevail. The possible consequences could be a prolonged depreciation of the local currencies against the U.S. dollar, continued capital flight to less risky investments, a high cost of borrowing due to increased risk premiums, and disruptions in local supply chains, especially in export-based industries like semiconductors, electronics and commodities [3]. The vulnerability of every country depends on the economic basis of the country. A robust balance in terms of external funds, as well as countries having enough foreign exchange reserves, are usually more in a position to withstand financial shocks [4]. Also, the resilience of the global banking system[5] will play an important role in the relationship between capital flight and the high-risk premium and the value of the assets and the stability of the entire economy in the Asia markets.

With such uncertainty, the businesses often delay investment decisions or change their strategies. Such cautious measures can lead to a reduction in capital inflows and a rise in risk premiums which, in turn, can reduce the value of the assets and put the stability of the macroeconomy in the region at risk [6].

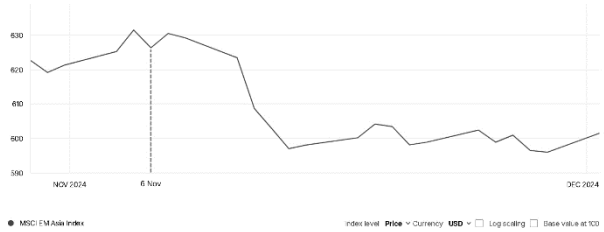

Fig 1. Graphic Index Performance Emerging Markets Asia

Source: Secondary data Processed, 2025

In Figure 1, the scenario represents a speculative scenario showing how the MSCI Emerging Markets Asia Index would react in the event of a sudden decline immediately after the announcement of the election. This expected trend demonstrates the worry of investors and is at the basis of this research.

The movement of stock markets is a key point to understand the outcome of political uncertainty in

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causing different response by different countries. The study analyses eight Asian emerging markets included in MSCI index (Indonesia, Malaysia, the Philippines, South Korea, Taiwan, Thailand, China, and India) to determine how they responded to the election of Donald Trump as the president of the United States in 2024.

II. LITERATURE REVIEW

The political activities of both the developed and developing economies have always had an impact on the behavior of the stock market as witnessed in the market response to the 2024 national elections in Russia, India and UK. Significant political developments, especially elections can impact on the investor sentiment and instigate price volatility and increase uncertainty in the financial markets [7]. Other studies in the past have established that, there is a close relationship between political uncertainty and stock market performance change across 27 countries [8].

Some of the emerging markets in Asia are China, India, Indonesia, South Korea, Malaysia, Philippines, Taiwan and Thailand which are some of the fastest growing economies. These markets are fairly volatile, moderate liquidity, and highly sensitive to the global and regional risks.

A study by Koulakiotis, Papapanagos, and Papasyriopoulos [9] discovered that stock markets tend to experience an increase in the abnormal returns in the run up to elections and this is succeeded by a decrease in the post-election period before stabilizing. This action makes it possible to assume that markets do not necessarily react well to political knowledge. The increase in the volatility and the emergence of short term losses during the election period show that investors have extra risks, which are not fully paid.

The findings of other studies related to the US and China trade war [10] have demonstrated that the current trade tensions may lead to the long-term decrease in the export activity, the changes in global supply chains, and the decrease in investment in major industries. In the case of emerging Asian markets, the interrelationship between the uncertainty of the trade policy and the more general economic fundamentals suggests that the effects of the geopolitical shock are not restricted to the short-term market responses [11]. This view is similar to Signaling Theory, which postulates that markets decode long-term political risks as unfavorable signals to not only short-term pricing of assets but also future returns to long-term investments [9].

Signaling Theory facilitates communication between corporate stakeholders[12]. In this research context, US election outcomes constitute strong global signals. A protectionist candidate's victory (e.g., Trump) may signal negative expectations about global trade stability and investment flows, with abnormal returns reflecting investor processing of these signals.

Investors are driven by expected returns as compensation for[13]. The difference between the actual return and the expected return on each security is called the abnormal return. Previous Research[14] indicates market reaction: positive when actual > expected, negative when actual < expected.

The study proposes the following hypothesis:

H0 There are no significant abnormal returns in the stock indices of the eight MSCI Asian Emerging Markets countries around the announcement period of Donald Trump's victory in the 2024 US presidential election.

H1 There are significant negative ARs in the stock indices of the eight MSCI Asian Emerging Markets countries around the announcement period of Donald Trump's victory in the 2024 US presidential election.

III. METHODOLOGY

This study employs a quantitative approach using an event study design to analyze the capital market reaction to the announcement of Donald Trump's victory in the 2024 US presidential election.

The analysis of the data will start with data collection and calculation of all the variables in this research. The Shapiro Wilk test is conducted to determine whether the data of the abnormal returns follow a normal distribution before testing the hypotheses. In the case of the first hypothesis (H1) which investigates the existence of significant abnormal returns, the Paired Samples t-Test is used when the data is normally distributed. In case the data fail to provide the normality, the Wilcoxon Signed Rank Test is employed.

The research population includes all countries listed in the Morgan Stanley Capital International (MSCI) Asian Emerging Markets Index. From this population, eight major countries are selected as the sample: Indonesia (MIID00000PID), Malaysia (MIMY00000PMY), the Philippines (MIPH00000PPH), South Korea (MIKR00000PKR), Taiwan (MSCITW), Thailand (MITH00000PTH), China (MICNX0000PHK), and India (MIIN00000PIN). The trading days t-3 to t+3 around the event date, November 6, 2024 (t=0) represent the event window. Even though this study is a short-term study (t-3 to t+3), the results interpretation also takes into consideration the other risk factors at a larger medium and long-term scope as reported in the past. To help put into greater perspective, the analysis uses the information on the monetary policy responses and the central bank interventions, which were made based on official announcements in the same period, to help elucidate the patterns in abnormal returns [16].

Actual return is the actual gain of a particular investment (stock) for a given time interval, and is determined by historic market price data [17]

$$R_{\mathrm{it}} = \frac{P_{\mathrm{it}} - P_{\mathrm{it-1}}}{P_{it-1}}$$

R_{it} = Actual return of stock i on the day period
P_{it} = Closing price of stock i on the day period
P_{it-1} = Closing price of stock i on the previous trading day

Expected return is the return investors anticipate under normal conditions if no specific event occurs. It serves as a benchmark to assess whether the actual return is reasonable, estimated using the market model[18].

$$E(R_{it}) = \alpha_i + \beta_i R_{mt}$$

$E(R_{it})$ = The expected return on a stock.
α_i The base return on a stock, or the return that would be earned if the market did not move at all.
β_i = The level of risk or sensitivity of a stock to the market.
R_{mt} = The overall market return on the same day, as measured by a market index.

Abnormal return (AR) is calculated as the difference between the actual return and the expected return for stock i during the event period(Mackinlay, 1998)[18].

$$AR_{it} = R_{it} - E(R_{it})$$

AR_{it} = A value that indicates how abnormal the stock return is.
R_{it} = The actual return in the market on that day.
$E(R_{it})$ = The return that expected to occur under normal circumstances on that day.

Data analysis includes normality testing followed by the paired samples t-Test for hypothesis testing.

IV. FINDINGS AND DISCUSSION

The first stage of hypothesis testing begins with checking the normality of the data using the Shapiro Wilk test. This test evaluates whether the distribution of abnormal returns for each country significantly differs from a normal distribution. Maintaining normality is significant as it defines the ability to apply parametric statistical tests correctly at the subsequent stages of the analysis. Table 1 below gives the detailed results.

Table 1. Normality Test Results

	Shapiro Wilk		
	Statistic	DF	Sig.
INDONESIA PRE	0.968	3	0.656
INDONESIA POST	0.885	3	0.340
MALAYSIA PRE	0.877	3	0.315
MALAYSIA POST	0.996	3	0.874
PHILIPPINES PRE	0.999	3	0.936
PHILIPPINES POST	0.996	3	0.862
SOUTH KOREA PRE	0.862	3	0.246
SOUTH KOREA POST	0.788	3	0.087
TAIWAN PRE	0.948	3	0.560
TAIWAN POST	0.935	3	0.506
THAILAND PRE	0.858	3	0.263
THAILAND POST	0.999	3	0.937
CHINA PRE	0.879	3	0.320
CHINA POST	0.802	3	0.120
INDIA PRE	0.788	3	0.087
INDIA POST	0.999	3	0.935

Source: Secondary data processed, 2025

The results of the Shapiro Wilk test, as presented in Table 1, demonstrate that all data groups are normally distributed. This is confirmed by the p-values ("Sig.") of more than 0.05 of both the pre-event and post-event periods of all the eight countries. Given that the normality test is satisfied, it is correct to employ the parametric tests like the Paired Samples t-Test to test the hypotheses as shown in Table 2.

Table 2. Results of Paired Sample T-Test

	Std. Deviation	DF	Sig.
INDONESIA PRE-POST	0.83436075	2	0.116
MALAYSIA PRE-POST	0.83436075	2	0.021*
PHILIPPINES PRE-POST	1.70956890	2	0.424
SOUTH KOREA PRE-POST	1.79063099	2	0.419
TAIWAN PRE-POST	1.99641844	2	0.901
THAILAND PRE-POST	1.32673674	2	0.226
CHINA PRE-POST	4.01832500	2	0.423
INDIA PRE-POST	1.77060337	2	0.501

Source: Secondary data processed, 2025
**significant at the 5% level*

Paired Samples t-Test results indicate that Malaysia is the only country that has statistically significant result of the pre-event, and post-event period, with a p-value of 0.021, which falls short of the 5% level of significance. However, the other countries (Indonesia,

the Philippines, South Korea, Taiwan, Thailand, China, and India) did not record a significant difference between the two periods as was indicated by their high p values.

Table 3. Calculation and Comparison of Abnormal Returns Emerging Markets Asia

Day	INDONESIA	MALAYSIA	PHILIPPINES	SOUTH KOREA
- 3	0.86000	-0.15123	3.70109	0.65141
- 2	-0.30135	-1.18194	0.31174	-3.01234
- 1	-0.90552	-0.33211	-3.49882	1.24451
-0	2.82549	-1.46039	2.87167	0.77376
+1	3.11285	0.86543	3.14518	0.04063
+2	0.50679	0.22200	0.99454	-0.06774
+3	-0.09827	1.37691	-0.67547	2.03922

Day	TAIWAN	THAILAND	CHINA	INDIA
- 3	0.80391	-0.09102	-1.60842	-0.82217
- 2	-1.86168	-0.38510	-1.19890	1.88493
- 1	-1.07015	-2.07784	-3.49965	-0.96883
-0	-0.87331	1.38116	3.21753	-2.40001
+ 1	-0.99007	-0.15958	-3.80265	1.63945
+ 2	-1.77714	1.07975	2.44620	0.83268
+ 3	1.12643	0.49572	2.00778	0.11618

Source: Secondary data processed, 2025

Table 3 shows that abnormal returns depended on the country of operation and the trading days, which means various markets responded differently to the Trump election victory. The Philippines and India had recorded the positive abnormal returns on day 0 and day +1, indicating that there was a temporary wave of investor optimism which was succeeded by further downfalls. Conversely, China registered a negative abnormal return of sharp magnitude on day +1 (-3.80) which could be a response by the investors to the chances of re-emerging of the protectionist trade policies like those implemented during the past Trump tenure. These trends are in line with the research by other scholars [19] who have indicated that markets or industries that have a close relationship with government policy have a greater response to political occurrences. This difference confirms the argument that the stock markets in the emerging economies of Asia are not well efficient in consuming geopolitical information [9], it also underscores the need to have country specific stock investment policies during times of global political uncertainty. In addition to the short term variability in abnormal returns, these market responses can be indicative of more long term structural risks in case protectionism trade policies are here to stay. [20]. An extended appreciation of the US dollar, such as, may result in additional fall in the value of Asian currencies, increased interest of the foreign currency debt service payment, and increased imported inflation, which may cause central bank intervention to stabilize the situation.

This response is demonstrated in a number of ways. Bank Indonesia said it was willing to stabilize the rupiah using foreign exchange interventions and Bank Negara Malaysia insisted it could be flexible in its policies and closely tracked market trends. The Reserve Bank of India was using its massive reserves of foreign exchange to respond to currency volatility and to maintain the Bank of Korea reduced its own policy rate in late 2024 as a way of responding to weaker growth in the face of global uncertainty [21].

The impact is also different in sectors. Large economies in semiconductor sectors are more exposed to the possibility of the U.S. restrictions on technology export, including Taiwan and South Korea. In the meantime, commodity exporters such as Indonesia and Malaysia might be subject to a decrease in demand and prices in case the global manufacturing pace decreases [4]. The service oriented exporters like India and the Philippines may have the short term comparative insulation but may find relatively deteriorated demand over time by the US clients.

In general, these medium to long term considerations indicate that the variation in short term abnormal returns may be precursors of larger differences between the economic resilience in the Asian emerging markets.

V. CONCLUSION

According to the analysis, the only country that experienced the statistically significant change in abnormal returns between the pre-election announcement period and the post-election announcement period is Malaysia among the eight countries that have been analyzed. Even though other nations did show some oscillations, their deviations were not statistically material though visual trends indicated that markets were a little bit affected by geopolitical feeling. On the whole, the 2024 US Presidential election vote of Donald Trump did not yield significant aberrant returns in most of the stock indices in the MSCI Asian Emerging Markets Group. Results of the Paired Samples t-Test confirm that only Malaysia showed a significant difference of abnormal returns with a p-value of 0.021 that is lower than the 5% level of significance. This result implies that the market in Malaysia was more responsive to the event than in other countries that were used in the study. According to the statistical findings, the null hypothesis (H0) is not rejected in most of the countries since there is no

significant abnormal returns in Indonesia, Philippines, South Korea, Taiwan, Thailand, China, and India. In the case of Malaysia, however, the null hypothesis is rejected and alternative hypothesis (H1) is accepted because they found the significant abnormal return in the event window.

In the case of Indonesia, the Philippines, South Korea, Taiwan, Thailand, China, and India, the p-values were more than 0.05, which shows that there were no significant differences in the abnormal returns of these countries. This means that these markets were relatively stable or had already factored in on the outcome of the U.S. election and this reduced the impact on stock prices change. It should be noted, however, that aggregate data would obscure country-level variations. The results support the point that stock markets among Asian emerging economies react variedly to global political risks basing on local economic systems, susceptibility to US policies and how efficiently such markets utilize political information. But since the majority of the countries in the MSCI Asian Emerging Markets Index were not changed, then the overall index did not change significantly which indicates the possibility that investors are interested in low risk possibilities.

Although the statistical significant difference was discovered in Malaysia alone, these findings need to be considered in the broader context of geopolitical insecurity that persists. Long term trade tensions may convert the short run market responses into medium run economic difficulties as each nation would evolve based on its trade structure, external balance, and policy potential. The policymakers in this setting ought to be ready to institute currency stabilization practices, coordinate fiscal provisions to industries, which are most affected, and diversify exports to mitigate the risk of prolonged international political and economic disputes.

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