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The Stock Return Changes of Chinese ADR Before and After Trump's Election and Imposed Tariff on Chinese Goods

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THE STOCK RETURN CHANGES OF CHINESE ADR BEFORE AND AFTER TRUMP'S

ELECTION AND IMPOSED TARIFF ON CHINESE GOODS

by

Suyao Liu

A plan B paper submitted in partial fulfillment
of the requirements for the degree

of

MASTER OF SCIENCE

in

Financial Economics

Approved:

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UTAH STATE UNIVERSITY
Logan, Utah

2019

ABSTRACT

The Stock Return Changes of Chinese ADR Before and After Trump's Election and Imposed

Tariff on Chinese Goods

by

Suyao Liu

Master of Science

Utah State University 2019

Major Professor: Dr. Tyler Brough
Department: Economics and Finance

This study examines the stock return changes of Chinese ADR company likely be affected by Trump's election on November 9, 2016, the signing of tariff Chinese goods bill on March 8, 2018, and the tariff bill takes into act on March 23, 2018. The results show that, relative to the entire market, the stock prices of Chinese ADR companies underperform. Our analysis provides evidence that it's hard to find that these three events would affect a particular industry of Chinese ADR the most.

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INTRODUCTION

On November 9, 2016, Donald Trump was elected the President of the United States. As part of his platform, lots of economic changes were promised to the public. Within the first week following Trump's election stock prices of U.S. businesses began to skyrocket, with the DOW industry jumping 257 points on Wednesday on the week Trump goes into office. Different sectors all had higher share prices at the time of the elections and began to shoot upwards. As markets began to increase and the economy entering into a bear market, has staged a better economy for the U.S. As a direct result, major effects on other countries with strong business ties to the United States, particularly China, were impacted by the occurrence. With the election and the economic upturn, these Chinese ADR were altered, but how so? This article's purpose is to understand the implications that either Trump's election or Trump's impose tariff on Chinese goods would have impacted the Chinese ADRs, and which sectors benefited, and which were negatively swayed. The objective of this paper is to look at the return changes of Chinese ADR prior to Trump's election and post-election, and the return changes of Chinese ADR before and after Trump impose tariffs. This paper will argue that Trump's election and Trump's tax on Chinese goods would have a negative influence on Chinese ADR and that these events would hurt the Chinese industry.

LITERATURE REVIEW

Because of Trump's interaction and changes of policy, American companies have become more appealing to investors, and products that are imported in to the United State will have tariff tax to pay. After Trump's election one benefit that he gave big companies was lowering corporate tax rates from 35% to 21% making companies more willing to set up shop in America. Also, with the tariffs tax placed on Chinese imported goods, wholesale and retail companies place more tax and price hikes on these imported goods making them more expensive to the customers buying the

product. Chinese ADR are currently underperforming in the markets (Nicholas Santiago, 2013); manufacturing and tech companies are negatively influenced by tariffs enacted while trump's presidential term (Guoting, 2018); Chinese stocks in the market are constantly trade and are feeling economic pressure (Nicholas Santiago, 2018), and using efficient markets hypothesis to understand sudden changes to stock prices (Fama, 1960). Information can have quick effects on market prices regarding any relevant data pertaining to that company in any shape or form. Market react to new information quickly (Fama, E., L. Fisher, M. Jensen, and R. Roll. 1969). Motivated by these studies, we will test that Trump's election and Trump's tariff on Chinese goods would have a negative influence on Chinese ADR and hurt the Chinese industries.

EMPIRICAL METHODOLOGY AND DATA

As part of the research for this paper, data will be pulled from the Wharton Research Data Service. To determine whether the performances of these Chinese ADR companies were affected by Trump's election or tariff bill, we conduct a series of event studies. By using the market model, we estimated the ordinary least square for each window period for a 255-trading day estimation period and ending 46 trading days before the event date. We use six different window parameters to measure the difference in abnormal return. Following the single factor model, we can obtain the ex-post abnormal return for each Chinese ADR companies of each windows for each event days. We estimate a daily market model by using CRSP equally weighted and value weighted index. From creating a market model, we can report daily residual returns for each of the firms we are observing. In other words, we had accumulated abnormal return for each of our window time. To examine which industry is most affected by these three events, we categorize these Chinese ADR companies into four sectors. These sectors were created using SIC codes correlating with 10 main industries. The four that were used to conduct our research are manufacturing firms, services firms,

public administration firms and other firms (which include agriculture, mining, construction, transportation, wholesale trade, retail trade, and finance insurance real estate).

RESULTS

From looking at these values we had gotten the cumulative abnormal returns that are negative and significantly different from zero for several different time windows. These time windows were set surrounding the event days of November 9, 2016 (trumps election) and March 23, 2017 (enaction date of tariff bill). From the CARs we have surrounding the Tariff Bill Sign Day on March 8th, we found the CARs are negative but non statistical significantly. The average CAR value for the 11-day window, surrounding Trump's election date is 5.57% underperforming the market. When annualized, the observed firm's underperformance in the market is roughly -127.60% to -129.123%. As for March 8th, the 11-day window CAR value produced was 0.39% positive performance in the market. When annualized, the treated firm's outperformance the market by 8.93% to 9.04%. For March 23rd, the day of the tariff was enacted, the CAR of the 11-day windows was valued at -2.3% under the market. When annualized, the result suggests that the firm underperformance the market by -52.69% to -53.32%.

In the other results of our research, we intend to understand which firm's underperformance in our data has significant influence. We plan on using the categorized firms to assist in understanding this portion of our research. Surrounding the event day of November 9, 2016, we find that the Election of Trump has a significant negative effect on firms in manufacturing, service, public administration, and other industry. And the absolute value of CARs for the manufacturing firms are significantly higher compared to the other three industry (public administration, service and other industry categories). Surrounding the Tariff Bill Sign Day, we are unable to conclude which types of industry is strongly affected by this event. Surrounding the tariff enacted day, we found

implementation of Tariff bill has a significant negative effect on Chinese Company, especially for service and public administration firms.

Within our research to provide better results we had set control in our data. The controls that we used in the research are: market capitalization, volatility, turnover, spread of stock price, and if the stock was traded in the NYSE (dummy variable). After placing controls within our data, we tried to better isolate which kind of industry provides the greatest influence. As an outcome, we found that the estimated points are not considered statistically sound at a p-value of .1. From these results, it is hard to conclude which industry is underperforming with proximity around the three events.

Our multivariate test doesn't allow us to confirm which kind of industries determine our outcome. In speaking of terms of macroeconomic, according to the statistics of General Administration of Customs of the People's Republic of China, the total amount of China's foreign trade imports and exports was 7.01 trillion yuan in the first quarter. This was an increase of 3.7% compared to the same period last year. Among the foreign trade 3.77 trillion yuan was exports, which was a 6.7% increase. The remainder of foreign trade are imports of 3.24 trillion yuan, which is an increase of 0.3%. China's foreign trade import and export value was 1.03 trillion in US dollar terms. This is a 1.5% decrease from prior years. Among them, exports were 551.76 billion US dollars, an increase of 1.4%; imports were 475.45 billion US dollars, a decrease of 4.8% from the prior year.

Regarding the trade issue between China and the U.S., it is said that there are some related impacts, but they are generally controllable. According to customs statistics, in the first quarter of this year, China's import and export to the United States reached 815.86 billion yuan, down 11% year-on-year, of which exports were 622.43 billion yuan, down 3.7%, and imports were 193.43 billion yuan, down 28.3%. In the month of March, China's import and export to the United States reached

291.35 billion yuan, an increase of 0.1%, of which exports were 214.99 billion yuan, up 10.6%, and imports were 76.36 billion yuan, down 21%.

CONCLUSION

Based on the outcome of our research, we can conclude that stock return of Chinese ADR has underperformed among these three events days. From our annualized value of the data the biggest underperformance had a value of -687.96%, which was the time frame of 1 day after Trump's election. From our data collected and analysis, it suggests that Chinese stock was not a good investment at these times. As an investor, to avoid these underperforming losses, it would be advised to do a put option or sell a forward contract to mitigate the losses and benefit from these events. Even though we believe these to be true, we are still inconclusive of which industry was most affected by these events.

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Table 1- Cumulative Abnormal Return by Eventus

The table reports cumulative abnormal return for each window for each event days. The first table shows the results for the election day (11/9/2016). The second table shows the results for the tariff bill sign day (3/8/2018), and the last table shows the results for tariff bill enacted day (3/23/2018).

```
                    Market Model Abnormal Returns, Value Weighted Index

             Mean
           Cumulative    Precision                                Portfolio
           Abnormal      Weighted     Positive:    StdCsect      Time-Series    CSectErr    Rank Test
Days    N    Return        CAAR       Negative        Z           (CDA) t         t            Z
-----------------------------------------------------------------------------------------------------
(-5,+5) 83   -5.57%       -5.04%      23:60<<<     -4.969***      -1.670$       -5.239***    -1.373
(-3,+3) 83   -5.33%       -5.07%      21:62<<<     -5.138***      -2.004*       -5.528***    -2.047*
(-1,+1) 83   -3.05%       -2.91%      19:64<<<     -3.986***      -1.753$       -4.140***    -2.208*
(0,+1)  83   -2.73%       -2.70%      17:66<<<     -3.923***      -1.920$       -3.928***    -2.480*
(0,+3)  83   -4.24%       -4.25%      19:64<<<     -4.526***      -2.107*       -4.879***    -2.416*
(0,+5)  83   -3.60%       -3.68%      26:57<<      -4.061***      -1.460        -3.919***    -1.630
-----------------------------------------------------------------------------------------------------
        The symbols $,*,**, and *** denote statistical significance at the 0.10, 0.05, 0.01 and 0.001
        levels, respectively, using a two-tail test. The symbols (,< or ),> etc. correspond to $,*
                and show the direction and significance of a generic one-tail generalized sign test.
```

```
                    Market Model Abnormal Returns, Value Weighted Index

             Mean
           Cumulative    Precision                                Portfolio
           Abnormal      Weighted     Positive:    StdCsect      Time-Series    CSectErr    Rank Test
Days    N    Return        CAAR       Negative        Z           (CDA) t         t            Z
-----------------------------------------------------------------------------------------------------
(-5,+5) 83    0.39%        0.29%      41:42         0.340         0.175         0.383        0.651
(-3,+3) 83   -0.52%       -0.74%      30:53(       -1.143        -0.293        -0.672       -0.174
(-1,+1) 83    0.41%        0.48%      40:43         0.996         0.354         0.682        0.575
(0,+1)  83   -0.03%        0.18%      47:36)        0.409        -0.029        -0.052        0.437
(0,+3)  83   -0.64%       -0.64%      39:44        -1.251        -0.472        -1.053       -0.205
(0,+5)  83   -0.07%        0.01%      48:35>        0.018        -0.041        -0.084        0.602
-----------------------------------------------------------------------------------------------------
        The symbols $,*,**, and *** denote statistical significance at the 0.10, 0.05, 0.01 and 0.001
        levels, respectively, using a two-tail test. The symbols (,< or ),> etc. correspond to $,*
                and show the direction and significance of a generic one-tail generalized sign test.
```

```
                    Market Model Abnormal Returns, Value Weighted Index

             Mean
           Cumulative    Precision                                Portfolio
           Abnormal      Weighted     Positive:    StdCsect      Time-Series    CSectErr    Rank Test
Days    N    Return        CAAR       Negative        Z           (CDA) t         t            Z
-----------------------------------------------------------------------------------------------------
(-5,+5) 83   -2.30%       -0.77%      41:42        -0.748        -0.994        -1.859$      -0.059
(-3,+3) 83   -2.70%       -1.36%      36:47        -1.623        -1.465        -2.790**     -0.693
(-1,+1) 83   -1.98%       -1.26%      26:57<<      -2.856**      -1.635        -3.503***    -0.864
(0,+1)  83   -1.64%       -0.85%      28:55<       -2.071*       -1.666$       -3.344***    -0.660
(0,+3)  83   -3.47%       -2.05%      25:58<<      -3.184**      -2.490*       -4.145***    -1.458
(0,+5)  83   -3.00%       -1.65%      33:50        -2.282*       -1.758$       -3.121**     -0.747
-----------------------------------------------------------------------------------------------------
        The symbols $,*,**, and *** denote statistical significance at the 0.10, 0.05, 0.01 and 0.001
        levels, respectively, using a two-tail test. The symbols (,< or ),> etc. correspond to $,*
                and show the direction and significance of a generic one-tail generalized sign test.
```

Table 2.1-Summary Statistics Surrounding the Election Day

The table reports statistics that describe the sample used throughout the analysis. Panel A provides the result for Manufacturing firms. Panel B shows the results for Services firms, panel C provides the results for Public Administration firms and Panel D shows the result for Other firms. Columns 1 to 5 show the summary statistics for the Election Day on Nov.9, 2016. Spread is calculated as ask price minus bid price and divided by the midpoint of bid-ask. Mkcap is the market capitalization of a single firm on the event day. Volatility is the difference between the natural log of high price and the natural log of low price. Turnover is the ratio of daily volume on event day divided by shares outstanding. NYSE is a dummy variable, 1 is the firm listed on the NYSE, zero otherwise.

11.9 Election day					
Panel A. Manufacturing Firms					
	Mean	Median	Std.Dev	25th Perc	75th Perc
Spread	0.0096	0.0024	0.0147	0.0007	0.0100
Mkcap	2.59E+08	4.84E+07	4.09E+08	3.31E+07	2.39E+08
Turnover	0.0115	0.0092	0.0096	0.0049	0.0151
Volatility	0.0582	0.0553	0.0371	0.0240	0.0808
NYSE	0.9	1	0.3162	1	1
Panel B. Services Firms					
	Mean	Median	Std. Dev	25th Perc	75th Perc
Spread	0.0087	0.0030	0.0221	0.0008	0.0070
Mkcap	3.69E+09	2.30E+08	9.87E+09	6.58E+07	9.31E+08
Turnover	0.0158	0.0059	0.0242	0.0025	0.0170
Volatility	0.0532	0.0441	0.0325	0.0300	0.0632
NYSE	0.5714	1	0.5040	0	1
Panel C. Public Administration Firms					
	Mean	Median	Std. Dev	25th Perc	75th Perc
Spread	0.0171	0.0022	0.0358	0.0007	0.0107
Mkcap	1.76E+09	2.80E+08	4.91E+09	5.42E+07	1.45E+09
Turnover	0.0128	0.0061	0.0181	0.0033	0.0140
Volatility	0.0648	0.0558	0.0429	0.0366	0.0796
NYSE	0.1364	0	0.3513	0	0
Panel D. Other Firms					
	Mean	Median	Std. Dev	25th Perc	75th Perc
Spread	0.0053	0.0020	0.0091	0.0004	0.0029
Mkcap	1.63E+10	2.57E+08	5.78E+10	5.61E+07	1.08E+09
Turnover	0.0113	0.0108	0.0080	0.0040	0.0152
Volatility	0.0462	0.0364	0.0464	0.0139	0.0651
NYSE	0.8696	1	0.3444	1	1

Table 2.2- Summary Statistics Surrounding the Tariff Bill Sign Day

The table reports statistics that describe the sample used throughout the analysis. Panel A provides the result for Manufacturing firms. Panel B shows the results for Services firms, panel C provides the results for Public Administration firms and Panel D shows the result for Other firms. Columns 1 to 5 show the summary statistics for the Tariff Bill Sign Day on Mar 8, 2018. Spread is calculated as ask price minus bid price and divided by the midpoint of bid-ask. Mkcap is the market capitalization of a single firm on the event day. Volatility is the difference between the natural log of high price and the natural log of low price. Turnover is the ratio of daily volume on event day divided by shares outstanding. NYSE is a dummy variable, 1 is the firm listed on the NYSE, zero otherwise.

3.8 Tax Bill Sign Day					
Panel A. Manufacturing Firms					
	Mean	Median	Std.Dev	25th Perc	75th Perc
Spread	0.0156	0.0012	0.0315	0.0002	0.0218
Mkcap	4.33E+10	6.51E+08	1.23E+11	2.97E+07	1.32E+10
Turnover	0.0333	0.0028	0.0854	0.0015	0.0127
Volatility	0.0269	0.0216	0.0136	0.0195	0.0319
NYSE	0.9	1	0.3162	1	1
Panel B. Services Firms					
	Mean	Median	Std. Dev	25th Perc	75th Perc
Spread	0.006	0.001	0.009	0.001	0.007
Mkcap	1.22E+10	4.17E+08	4.17E+10	6.58E+07	9.31E+08
Turnover	0.0128	0.0081	0.0143	0.0025	0.0170
Volatility	0.0387	0.0326	0.0267	0.0300	0.0632
NYSE	0.5714	1	0.5040	0	1
Panel C. Public Administration Firms					
	Mean	Median	Std. Dev	25th Perc	75th Perc
Spread	0.0045	0.0012	0.0096	0.0005	0.0041
Mkcap	3.69E+09	4.89E+08	8.97E+09	9.93E+07	5.10E+09
Turnover	0.0275	0.0099	0.0425	0.0037	0.0179
Volatility	0.0460	0.0337	0.0356	0.0212	0.0576
NYSE	0.2273	0	0.4289	0	0
Panel D. Other Firms					
	Mean	Median	Std. Dev	25th Perc	75th Perc
Spread	0.0037	0.0013	0.0058	0.0006	0.0033
Mkcap	7.65E+08	2.14E+08	1.23E+09	4.44E+07	1.11E+09
Turnover	0.0126	0.0088	0.0146	0.0042	0.0134
Volatility	0.0322	0.0242	0.0279	0.0098	0.0389
NYSE	0.7391	1	0.4490	0	1

Table 2.3-Summary Statistics Surrounding the Tariff Bill Enacted Day

The table reports statistics that describe the sample used throughout the analysis. Panel A provides the result for Manufacturing firms. Panel B shows the results for Services firms, panel C provides the results for Public Administration firms and Panel D shows the result for Other firms. Columns 1 to 5 show the summary statistics for the tariff bill enacted Day on March 23, 2018. Spread is calculated as ask price minus bid price and divided by the midpoint of bid-ask. Mkcap is the market capitalization of a single firm on the event day. Volatility is the difference between the natural log of high price and the natural log of low price. Turnover is the ratio of daily volume on event day divided by shares outstanding. NYSE is a dummy variable, 1 is the firm listed on the NYSE, zero otherwise.

3.23 Tax Bill Enacted Day					
Panel A. Manufacturing Firms					
	Mean	Median	Std.Dev	25th Perc	75th Perc
Spread	0.0103	0.0005	0.0171	0.0001	0.0158
Mkcap	4.05E+10	1.27E+09	1.15E+11	3.03E+07	1.27E+10
Turnover	0.0237	0.0082	0.0552	0.0016	0.0119
Volatility	0.0408	0.0286	0.0357	0.0106	0.0623
NYSE	0.9	1	0.3162	1	1
Panel B. Services Firms					
	Mean	Median	Std. Dev	25th Perc	75th Perc
Spread	0.0070	0.0017	0.0108	0.0005	0.0079
Mkcap	1.16E+10	3.88E+08	4.01E+10	5.88E+07	2.89E+09
Turnover	0.0143	0.0072	0.0184	0.0038	0.0171
Volatility	0.0396	0.0367	0.0226	0.0237	0.0427
NYSE	0.5714	1	0.5040	0	1
Panel C. Public Administration Firms					
	Mean	Median	Std. Dev	25th Perc	75th Perc
Spread	0.0060	0.0009	0.0149	0.0005	0.0024
Mkcap	3.4E+09	4.39E+08	8.1E+09	1.04E+08	4.43E+09
Turnover	0.0217	0.0198	0.0165	0.0071	0.0323
Volatility	0.0540	0.0442	0.0301	0.0373	0.0600
NYSE	0.2273	0	0.4289	0	0
Panel D. Other Firms					
	Mean	Median	Std. Dev	25th Perc	75th Perc
Spread	0.0040	0.0012	0.0064	0.0006	0.0034
Mkcap	7.4E+08	2.15E+08	1.22E+09	4.13E+07	1.07E+09
Turnover	0.0187	0.0092	0.0404	0.0037	0.0127
Volatility	0.0397	0.0267	0.0333	0.0179	0.0527
NYSE	0.7391	1	0.4490	0	1

Table 3- Standard Event Study for All Firms surrounding the Election Day (11/09/2016)

The table reports the results from a standard event study surrounding the election day on Nov 09, 2016. Cumulative abnormal return (CAR) are estimated as residuals from daily market model, where the control variable is the CRSP equally weighted and value weighted market index. The table shows both mean and median CARs as well as t-statistics that test the difference between mean CARs and zero. Event window are provided in each column. For example, CAR (-5,+5) is the 11-day CAR surrounding the election day, CAR (-3,+3) is the 7-day CAR surround the day, CAR (0,5) is the 5 day after the election day. *, **and*** represent statistical significance at the 0.1,0.05, and 0.01 levels respectively.

	CAR(-5,+5)	CAR(-3,+3)	CAR(-1,+1)	CAR(0,1)	CAR(0,3)	CAR(0,5)
	[1]	[2]	[3]	[4]	[5]	[6]
Mean	-0.0557	-0.0533	-0.0305	-0.0273	-0.0424	-0.036
Median	-0.049	-0.0516	-0.0301	-0.0339	-0.0364	-0.0377
T-statistics	(-5.2391)***	(-5.5283)***	(-4.1403)***	(-3.9283)***	(-4.8790)***	(-3.9193)***
N	83	83	83	83	83	83

Table 4- Standard Event Study for All Firms surrounding the Tariff Bill Sign Day (03/08/2018)

The table reports the results from a standard event study surrounding the tariff bill sign day on March 08, 2018. Cumulative abnormal return (CAR) are estimated as residuals from daily market model, where the control variable is the CRSP equally weighted and value weighted market index. The table shows both mean and median CARs as well as t-statistics that test the difference between mean CARs and zero. Event window are provided in each column. For example, CAR (-5,+5) is the 11-day CAR surrounding the tariff bill sign day, CAR (-3,+3) is the 7-day CAR surround the day, CAR (0,5) is the 5 day after the bill sign day. *, **and*** represent statistical significance at the 0.1,0.05, and 0.01 levels respectively.

	CAR(-5,+5)	CAR(-3,+3)	CAR(-1,+1)	CAR(0,1)	CAR(0,3)	CAR(0,5)
	[1]	[2]	[3]	[4]	[5]	[6]
Mean	0.0039	-0.0052	0.0041	-0.0003	-0.0064	-0.0007
Median	-0.0019	-0.0092	-0.0005	0.0021	-0.0019	0.0073
T-statistic	（0.3832）	（-0.6725）	（0.6821）	（-0.0515）	（-1.0533）	（-0.0843）
N	83	83	83	83	83	83

Table 5- Standard Event Study for All Firms surrounding the Tariff Bill Enacted Day (03/23/2018)

The table reports the results from a standard event study surrounding the tariff bill enacted day on March 23, 2018. Cumulative abnormal return (CAR) are estimated as residuals from daily market model, where the control variable is the CRSP equally weighted and value weighted market index. The table shows both mean and median CARs as well as t-statistics that test the difference between mean CARs and zero. Event window are provided in each column. For example, CAR (-5,+5) is the 11-day CAR surrounding the tariff bill enacted day, CAR (-3,+3) is the 7-day CAR surround the day, CAR (0,5) is the 5 day after the bill enacted day. *, **and*** represent statistical significance at the 0.1,0.05, and 0.01 levels respectively.

	CAR(-5,+5) 【1】	CAR(-3,+3) 【2】	CAR(-1,+1) 【3】	CAR(0,1) 【4】	CAR(0,3) 【5】	CAR(0,5) 【6】
Mean	-0.0230	-0.0270	-0.0198	-0.0164	-0.0347	-0.0300
Median	-0.0004	-0.0064	-0.0127	-0.0084	-0.0166	-0.0130
t-statistic	(-1.8588) *	(-2.7901) **	(-3.5031) ***	(-3.3444) ***	(-4.1447) ***	(-3.1210) **
N	83	83	83	83	83	83

Table 6-Standard Event Study by Firm Type surrounding the Election Day (11/09/2016)

The table reports the results from a standard event study surrounding the election on Nov 9, 2016 by firm type. Panel A provides the results for Other firms. Panel B shows the results for Manufacturing firms. Panel C shows the results for Services firms and Panel D presents the results for Public Administration firms. Cumulative abnormal returns (CARs) are estimated as residuals from daily market model, where the control variable is the CRSP equally weighted and value weighted market index. The table shows both mean and median CARs as well as t-statistics that test the difference between mean CARs and zero. Event window are provided in each column. For example, CAR (-5,+5) is the 11-day CAR surrounding the election day, CAR (-3,+3) is the 7-day CAR surround the day, CAR (0,5) is the 5 day after the election day. *, **and*** represent statistical significance at the 0.1,0.05, and 0.01 levels respectively.

	11.09 Election Day					
Panel A. Others Firms						
	CAR(-5,+5)	CAR(-3,+3)	CAR(-1,+1)	CAR(0,1)	CAR(0,3)	CAR(0,5)
Mean	-0.0484	-0.0562	-0.0209	-0.0181	-0.0411	-0.0381
Median	-0.0490	-0.0637	-0.0356	-0.0368	-0.0627	-0.0610
t-statistic	(-2.1669)**	(-2.9756)**	(-1.5658)*	(-1.2309)*	(-2.4382)**	(-2.1287)**
N	23	23	23	23	23	23
Panel B. Manufacturing Firms						
	CAR(-5,+5)	CAR(-3,+3)	CAR(-1,+1)	CAR(0,1)	CAR(0,3)	CAR(0,5)
Mean	-0.0821	-0.0717	-0.0564	-0.0588	-0.0536	-0.0691
Median	-0.0984	-0.0992	-0.0728	-0.0685	-0.0721	-0.0810
t-statistic	(-2.5540)**	(-2.2635)**	(-2.6119)**	(-3.0077)***	(-1.7456)*	(-2.6782)**
N	10	10	10	10	10	10
Panel C. Services Firms						
	CAR(-5,+5)	CAR(-3,+3)	CAR(-1,+1)	CAR(0,1)	CAR(0,3)	CAR(0,5)
Mean	-0.0652	-0.0638	-0.0349	-0.0348	-0.0529	-0.0437
Median	-0.0435	-0.0697	-0.0207	-0.0238	-0.0268	-0.0396
t-statistic	(-3.2397)***	(-3.6771)***	(-2.7734)**	(-2.9558)**	(-3.3480)***	(-2.5282)**
N	28	28	28	28	28	28
Panel D. Public Administration Firms						
	CAR(-5,+5)	CAR(-3,+3)	CAR(-1,+1)	CAR(0,1)	CAR(0,3)	CAR(0,5)
Mean	-0.0392	-0.0287	-0.0233	-0.0131	-0.0252	-0.0088
Median	-0.0516	-0.0311	-0.0240	-0.0227	-0.0193	0.0008
t-statistic	(-2.6574)**	(-1.8167)*	(-1.5246)*	(-1.1238)*	(-1.8567)*	(-0.6092)
N	22	22	22	22	22	22

Table 7-Standard Event Study by Firm Type surrounding the Tariff Bill Sign Day (03/08/2018)

The table reports the results from a standard event study surrounding the tariff bill sign on Mar 8, 2018 by firm type. Panel A provides the results for Other firms. Panel B shows the results for Manufacturing firms. Panel C shows the results for Services firms and Panel D presents the results for Public Administration firms. Cumulative abnormal returns (CARs) are estimated as residuals from daily market model, where the control variable is the CRSP equally weighted and value weighted market index. The table shows both mean and median CARs as well as t-statistics that test the difference between mean CARs and zero. Event window are provided in each column. For example, CAR (-5,+5) is the 11-day CAR surrounding the tariff bill sign day, CAR (-3,+3) is the 7-day CAR surround the day, CAR (0,5) is the 5 day after the tariff bill sign day. *, **and*** represent statistical significance at the 0.1,0.05, and 0.01 levels respectively.

3.8 Tariff Bill Sign Day						
Panel A. Others Firms						
	CAR(-5,+5)	CAR(-3,+3)	CAR(-1,+1)	CAR(0,1)	CAR(0,3)	CAR(0,5)
Mean	0.0074	0.0048	0.0164	0.0106	0.0111	0.0154
Median	0.0028	-0.0009	0.0067	0.0101	0.0094	0.0091
t-statistic	（0.7065）	（0.4785）	（1.2661）*	（0.9571）	（1.4993）*	（2.0242）**
N	23	23	23	23	23	23
Panel B. Manufacturing Firms						
	CAR(-5,+5)	CAR(-3,+3)	CAR(-1,+1)	CAR(0,1)	CAR(0,3)	CAR(0,5)
Mean	-0.0194	-0.0189	0.0010	-0.0038	0.0038	0.0181
Median	-0.0152	-0.0132	0.0097	-0.0036	0.0015	0.0088
t-statistic	（-0.7408）	（-1.1223）*	（-0.0596）	（-0.2099）	（0.1890）	（0.8218）
N	10	10	10	10	10	10
Panel C. Services Firms						
	CAR(-5,+5)	CAR(-3,+3)	CAR(-1,+1)	CAR(0,1)	CAR(0,3)	CAR(0,5)
Mean	0.0006	-0.0143	-0.0031	-0.0085	-0.0262	-0.0184
Median	-0.0065	-0.0282	-0.0134	-0.0063	-0.0106	0.0047
t-statistic	（0.0299）	（-0.9439）	（-0.2552）	（-0.8216）	（-2.2032）**	（-1.2264）*
N	28	28	28	28	28	28
Panel D. Public Administration Firms						
	CAR(-5,+5)	CAR(-3,+3)	CAR(-1,+1)	CAR(0,1)	CAR(0,3)	CAR(0,5)
Mean	0.0150	0.0021	0.0020	0.0005	-0.0040	-0.0035
Median	-0.0056	-0.0088	0.0023	0.0083	0.0014	0.0025
t-statistic	（0.5940）	（0.1143）	（0.2716）	（0.0734）	（-0.3594）	（-0.1812）
N	22	22	22	22	22	22

Table 8-Standard Event Study by Firm Type surrounding the Tariff Bill Enacted Day (03/23/2018)

The table reports the results from a standard event study surrounding the tariff bill enacted on March 23, 2018 by firm type. Panel A provides the results for Other firms. Panel B shows the results for Manufacturing firms. Panel C shows the results for Services firms and Panel D presents the results for Public Administration firms. Cumulative abnormal returns (CARs) are estimated as residuals from daily market model, where the control variable is the CRSP equally weighted and value weighted market index. The table shows both mean and median CARs as well as t-statistics that test the difference between mean CARs and zero. Event window are provided in each column. For example, CAR (-5,+5) is the 11-day CAR surrounding the tariff bill enacted day, CAR (-3,+3) is the 7-day CAR surround the day, CAR (0,5) is the 5 day after the tariff bill enacted day. *, **and*** represent statistical significance at the 0.1,0.05, and 0.01 levels respectively.

3.23 Tariff Bill Enacted Day						
Panel A. Others Firms						
	CAR(-5,+5)	CAR(-3,+3)	CAR(-1,+1)	CAR(0,1)	CAR(0,3)	CAR(0,5)
Mean	-0.0087	-0.0102	-0.0133	-0.0096	-0.0204	-0.0070
Median	0.0114	0.0082	-0.0076	-0.0075	-0.0150	-0.0068
t-statistic	（-0.5628）	（-0.6610）	（-1.5052）*	（-1.3942）*	（-1.8113）*	（-0.6452）
N	23	23	23	23	23	23
Panel B. Manufacturing Firms						
	CAR(-5,+5)	CAR(-3,+3)	CAR(-1,+1)	CAR(0,1)	CAR(0,3)	CAR(0,5)
Mean	0.0480	0.0112	0.0066	0.0089	-0.0168	0.0135
Median	0.0233	-0.0038	0.0003	0.0059	-0.0166	0.0220
t-statistic	（1.8228）*	（0.5498）	（0.6498）	（1.2352）*	（-1.5341）*	（0.9383）
N	10	10	10	10	10	10
Panel C. Services Firms						
	CAR(-5,+5)	CAR(-3,+3)	CAR(-1,+1)	CAR(0,1)	CAR(0,3)	CAR(0,5)
Mean	-0.0274	-0.0341	-0.0275	-0.0243	-0.0349	-0.0416
Median	0.0207	-0.0005	-0.0193	-0.0176	-0.0055	-0.0139
t-statistic	(-1.1532)*	(-1.7208)*	(-2.6207)**	(-2.7312)**	(-1.9932)*	(-2.1638)**
N	28	28	28	28	28	28
Panel D. Public Administration Firms						
	CAR(-5,+5)	CAR(-3,+3)	CAR(-1,+1)	CAR(0,1)	CAR(0,3)	CAR(0,5)
Mean	-0.0646	-0.0531	-0.0286	-0.0251	-0.0577	-0.0592
Median	-0.0288	-0.0524	-0.0167	-0.0200	-0.0553	-0.0327
t-statistic	(-2.3923)**	(-2.9754)**	(-2.2721)**	(-2.1171)**	(-3.1790)***	(-2.717)**
N	22	22	22	22	22	22

Table 9 - Cross-Sectional Regression: CARs and the Election Day

The table shows the results of estimating cross-sectional equation using Ordinary Least Square:

$$CAR(-k,k)=\beta 1 Services+\beta 2 Manufacture+\beta 3 Others+\beta 4(mkcap)+\beta 5 Turnover+\beta 6 Volitility+\beta 7 spread+\beta 8 NYSE+\alpha+\varepsilon$$

or

$$CAR(0,k)= \beta 1 Services+\beta 2 Manufacture+\beta 3 Others+\beta 4(mkcap)+\beta 5 Turnover+\beta 6 Volitility+\beta 7 spread+\beta 8 NYSE+\alpha+\varepsilon$$

The dependent variable is the estimate cumulative abnormal return on the event window(-k,k) or (0,k) surrounding the election day on Nov 9, 2016, where k=5,3 and 1. Each column reports the results when the dependent variable is different kinds of CARs. The independent variables as following: Services is a dummy variable, which is equal to 1 if the firm is Service firm, zero otherwise (based on the SIC code). Manufacture is a dummy variable, which is equal to 1 if the firm is Manufacture firm, zero otherwise (based to SIC code). Others is a dummy variable, which is equal to 1 if the firm is not the Service, Manufacture or Public Administration firms, zero otherwise. The omitted variable is Public Administration, which is the dummy variable indicates the Public Administration firms. The control variables as follows: mkcap is the market capitalization of a single firm on the event day. Turnover is the ratio of daily volume on event day divided by shares outstanding. Volatility is the difference between the natural log of high price and the natural log of low price. Spread is calculated as ask price minus bid price and divided by the midpoint of bid-ask. NYSE is a dummy variable, 1 is the firm listed on the NYSE, zero otherwise. *, **, and *** is the statistical significance at 0.1, 0.05, and 0.01 levels respectively.

	CAR(-5,+5)	CAR(-3,+3)	CAR(-1,+1)	CAR(0,1)	CAR(0,3)	CAR(0,5)
	11.9 Election Day					
	[1]	[2]	[3]	[4]	[5]	[6]
Service	-0.0275	-0.0297	-0.0137	-0.0188	-0.0237	-0.0287
	(-0.931)	(-1.133)	(-0.703)	(-1.039)	(-1.023)	(-1.193)
Manufacture	-0.0627	-0.052	-0.0501	-0.0529	-0.0395	-0.0701
	(-1.492)	(-1.394)	(-1.808)	(-2.053)	(-1.198)	(-2.048)
Others	-0.024	-0.033	-0.0111	-0.0071	-0.0228	-0.0317
	(-0.66)	(-1.021)	(-0.463)	(-0.32)	(-0.801)	(-1.07)
mkcap	3.21E-12	4.10E-13	2.37E-13	2.36E-13	3.85E-13	3.27E-13
	0.933	(1.341)	(1.042)	(1.12)	(1.425)	(1.166)
turnover	-1.5032	-1.2012	-1.0959	-0.5936	-1.2359	-1.3628
	(-2.291)	(-2.061)	(-2.533)	(-1.476)	(-2.402)	(-2.548)
volitility	0.7868	0.7435	0.5593	0.5723	0.6256	0.7952
	(2.614)	(2.781)	(2.817)	(3.102)	(2.65)	(3.241)
spread	-0.3374	0.0757	0.3145	0.393	0.3934	0.1335
	(-0.621)	(0.157)	(0.877)	(1.18)	(0.923)	(0.301)
NYSE	0.0284	0.0208	0.0239	0.0157	0.0233	0.0218
	(1.014)	(0.838)	(1.296)	(0.913)	(1.062)	(0.957)
constant	-0.0703	-0.0688	-0.0509	-0.0503	-0.0612	-0.0507
	(-2.592)	(-2.853)	(-2.846)	(-3.027)	(2.875)	(-2.29)
R square	0.148	0.179	0.23	0.251	0.213	0.24
Adjusted R^2	0.054	0.089	0.145	0.168	0.126	0.156
N	83	83	83	83	83	83

Table 10 - Cross-Sectional Regression: CARs and the Tariff Bill Sign Day

The table shows the results of estimating cross-sectional equation using Ordinary Least Square:

$$CAR(-k,k)=\beta 1Services+\beta 2Manufacture+\beta 3Others+\beta 4(mkcap)+\beta 5Turnover+\beta 6Volitility+\beta 7spread+\beta 8NYSE+\alpha +\varepsilon$$

or

$$CAR(0,k)=\beta 1Services+\beta 2Manufacture+\beta 3Others+\beta 4(mkcap)+\beta 5Turnover+\beta 6Volitility+\beta 7spread+\beta 8NYSE+\alpha +\varepsilon$$

The dependent variable is the estimate cumulative abnormal return on the event window(-k,k) or (0,k) surrounding the tariff bill sign day on Mar 8, 2018, where k=5,3 and 1. Each column reports the results when the dependent variable is different kinds of CARs. The independent variables as following: Services is a dummy variable, which is equal to 1 if the firm is Service firm, zero otherwise (based on the SIC code). Manufacture is a dummy variable, which is equal to 1 if the firm is Manufacture firm, zero otherwise (based to SIC code). Others is a dummy variable, which is equal to 1 if the firm is not the Service, Manufacture or Public Administration firms, zero otherwise. The omitted variable is Public Administration, which is the dummy variable indicates the Public Administration firms. The control variables as follows: mkcap is the market capitalization of a single firm on the event day. Turnover is the ratio of daily volume on event day divided by shares outstanding. Volatility is the difference between the natural log of high price and the natural log of low price. Spread is calculated as ask price minus bid price and divided by the midpoint of bid-ask. NYSE is a dummy variable, 1 is the firm listed on the NYSE, zero otherwise. *, **, and *** is the statistical significance at 0.1, 0.05, and 0.01 levels respectively.

3.8 Tariff Bill Sign Day .						
	CAR(-5,+5)	CAR(-3+3)	CAR(-1,+1)	CAR(0,1)	CAR(0,3)	CAR(0,5)
	[1]	[2]	[3]	[4]	[5]	[6]
Services	-0.0129	-0.0121	-0.0085	-0.0163	-0.0297	-0.0225
	（-0.45）	（-0.567）	（-0.52）	（-1.1）	（-1.876）	（-1.034）
Manufacture	-0.032	-0.0064	0.0038	-0.0091	-0.0013	0.0062
	（-0.741）	（-0.2）	（0.155）	（-0.408）	（-0.056）	（0.191）
Others	0.0013	0.0149	0.0153	0.0036	0.0099	0.0143
	（0.042）	（0.642）	（0.863）	（0.225）	（0.576）	（0.602）
mkcap	7.75E-14	6.84E-14	1.52E-14	5.12E-05	4.86E-15	6.33E-14
	（0.342）	（0.407）	（0.118）	（0.044）	（0.039）	（0.368）
turnover	-0.1522	-0.2119	-0.3599	0.3123	-0.298	-0.2317
	（-0.455）	（-0.853）	（-1.891）	（-1.808）	（-1.615）	（-0.913）
volitility	0.4674	0.6458	0.5742	0.2916	0.2827	0.1569
	（1.04）	（1.935）	（2.246）	（1.256）	（1.14）	（0.46）
spread	0.8379	0.3604	0.4425	0.3511	0.8176	1.0332
	（0.938）	（0.543）	（0.871）	（0.761）	（1.659）	（1.524）
NYSE	-0.0076	-0.0115	0.004	0.012	0.0104	0.0083
	（-0.308）	（-0.63）	（0.289）	（0.946）	（0.766）	（0.449）
constant	-0.0046	-0.0211	-0.0175	-0.0086	-0.0148	-0.011
	（-0.162）	（-1.006）	（-1.09）	（-0.593）	（-0.951）	（-0.515）
R square	0.055	0.101	0.136	0.101	0.18	0.103
Adjust R^2	0.047	0.004	0.042	0.004	0.091	0.006
N	83	83	83	83	83	83

Table 11 - Cross-Sectional Regression: CARs and the Tariff Bill Enacted Day

The table shows the results of estimating cross-sectional equation using Ordinary Least Square:

$$CAR(-k,k)=\beta 1 Services+\beta 2 Manufacture+\beta 3 Others+\beta 4(mkcap)+\beta 5 Turnover+\beta 6 Volitility+\beta 7 spread+\beta 8 NYSE+\alpha+\varepsilon$$

or

$$CAR(0,k)= \beta 1 Services+\beta 2 Manufacture+\beta 3 Others+\beta 4(mkcap)+\beta 5 Turnover+\beta 6 Volitility+\beta 7 spread+\beta 8 NYSE+\alpha+\varepsilon$$

The dependent variable is the estimate cumulative abnormal return on the event window(-k,k) or (0,k) surrounding the tariff bill enacted day on Mar 23, 2018, where k=5,3 and 1. Each column reports the results when the dependent variable is different kinds of CARs. The independent variables as following: Services is a dummy variable, which is equal to 1 if the firm is Service firm, zero otherwise (based on the SIC code). Manufacture is a dummy variable, which is equal to 1 if the firm is Manufacture firm, zero otherwise (based to SIC code). Others is a dummy variable, which is equal to 1 if the firm is not the Service, Manufacture or Public Administration firms, zero otherwise. The omitted variable is Public Administration, which is the dummy variable indicates the Public Administration firms. The control variables as follows: mkcap is the market capitalization of a single firm on the event day. Turnover is the ratio of daily volume on event day divided by shares outstanding. Volatility is the difference between the natural log of high price and the natural log of low price. Spread is calculated as ask price minus bid price and divided by the midpoint of bid-ask. NYSE is a dummy variable, 1 is the firm listed on the NYSE, zero otherwise. *, **, and *** is the statistical significance at 0.1, 0.05, and 0.01 levels respectively.

	CAR(-5,+5)	CAR(-3,+3)	CAR(-1,+1)	CAR(0,1)	CAR(0.3)	CAR(0,5)
3.23 Tariff Bill Enacted Day						
	[1]	[2]	[3]	[4]	[5]	[6]
Services	0.0245	0.0013	-0.0099	-0.0099	-0.0019	0.0005
	（0.793）	(0.051)	(-0.66)	(-0.77)	(-0.088)	(0.021)
Manufacture	0.1023	0.0391	0.0193	0.0184	0.0032	0.0518
	（2.297）	(1.062)	(0.891)	(0.99)	(0.102)	(1.475)
Others	0.0299	0.0204	0.0027	0.0036	0.0085	0.029
	（0.899）	(0.742)	(0.167)	(0.257)	(0.367)	(1.107)
mkcap	-2.03E-13	-5.49E-14	4.79E-15	4.69E-14	6.91E-14	1.65E-15
	（-0.794）	(-0.26)	(0.039)	(0.441)	(0.387)	(0.008)
turnover	0.6179	0.4264	0.1827	0.0866	0.1565	0.2984
	（1.551）	(1.294)	(0.945)	(0.521)	(0.562)	(0.949)
volitility	-1.069	-1.0441	-0.6171	-0.5313	-1.0206	-1.0508
	（-2.503）	(-2.957)	(-2.975)	(-2.982)	(-3.419)	(-3.118)
spread	-1.9292	0.1666	0.2182	0.0617	0.2669	-0.807
	（-1.832）	(0.191)	(0.427)	(0.14)	(0.363)	(-0.971)
NYSE	0.0159	0.0176	0.0093	0.0096	0.0299	0.0144
	（0.611）	(0.818)	(0.732)	(0.881)	(1.641)	(0.7)
constant	-0.0116	-0.0107	-0.0026	-0.001	-0.0145	-0.0073
	（-0.369）	(-0.413)	(-0.173)	(-0.077)	(-0.664)	(-0.296)
R square	0.268	0.184	0.17	0.194	0.221	0.247
Adjust R^2	0.189	0.096	0.08	0.106	0.137	0.166
N	83	83	83	83	83	83