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How the election of Donald Trump impacts the cryptocurrency market ?

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Abstract

This study investigates the impact of Donald Trump's announcements on cryptocurrency markets, focusing on his 2024 re-election and the creation of a crypto platform. Using a high-frequency event study, it analyzes the immediate and short-term reactions of Bitcoin, Ethereum, Monero, and Tether. The findings reveal that concrete announcements, such as the crypto platform launch and election victory, trigger significant but short-lived responses in Bitcoin and Ethereum, reflecting their speculative nature and the importance for investors to know The stances of public figure . In contrast, campaign-related promises create a climate of uncertainty, resulting in only brief delayed or anticipated effects. Monero experiences negative effects due to capital shifts towards dominant cryptocurrencies, while Tether remains unaffected, demonstrating its stability. These results underscore the importance of actionable commitments in driving cryptocurrency volatility and provide insights for investors and policymakers.

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1 Introduction

Financial markets, and cryptocurrency markets in particular, are characterised by their high sensitivity to public announcements, the behaviour of influential figures and major political events (Öget, 2022). Unlike traditional assets, cryptocurrencies, which are often perceived as highly speculative, are more reactive to non-fundamental factors. In this context, investor sentiment and herding behavior play a central role, amplifying market reactions. (Bouri et al., 2019; da Gama Silva et al., 2019).

Recent literature highlights this special feature. Ante (2021) demonstrated how Elon Musk's statements, particularly via Twitter, led to significant price fluctuations for Bitcoin and Dogecoin. Merkley et al. (2024) have focused their research on the effects of tweets by crypto-influencers. The results show positive short-term effects, followed by significant negative long-term effects. The authors underline that these effects are stronger the more crypto-influencers recommend purchases or make positive comments about cryptocurrencies. The use of video platforms such as YouTube leads to a contagion effect, as mentioned by Meyer et al. (2023). These observations highlight that the influence of public figures goes beyond purely economic or fundamental considerations, acting as triggers for volatility in returns.

Moreover, major political events, such as presidential elections or institutional announcements, have also been associated with significant shifts in global economic and financial dynamics (Filezac de l'Etang, 2024). Among these events, Donald Trump's election as President of the United States in November 2016 represented a pivotal moment, triggering immediate effects on financial markets and prompting adjustments in investor expectations. Pham et al. (2018) demonstrate that the election of Donald Trump causes positive returns but indicate that not all markets react positively to the election of Donald Trump. Diaconaşu et al. (2023) found that financial markets reacted negatively to Donald Trump's victory before seeing returns correct upward, validating the market overreaction hypothesis.

Indeed, Trump often employed direct communication strategies via social media to influence public opinion and, indirectly, financial markets. This approach introduced a new variable in analyzing market reactions: the interaction between the content of announcements and their perception by investors in an environment often marked by significant uncertainty.

In this context, cryptocurrencies provide a particularly fertile ground for studying the impact of political and media announcements, notably due to their intrinsic volatility and their close link to speculative dynamics. Building on existing literature, this study aims to analyze the potential impact of Donald Trump's re-election as President of the United States in 2024 on cryptocurrency markets. This analysis contributes to a new body of literature that fully considers media and political announcements as key determinants of cryptocurrency dynamics.

By adopting a high-frequency data approach and leveraging event-study methodology, this research seeks to enhance our understanding of the complex interactions between politics, communication, and cryptocurrency markets. It also sheds light on how changes in the global political landscape can influence unconventional asset classes, with important implications for researchers, investors, and regulators.

2 Data

The event study employs an analysis focused on two importants cryptocurrencies (Bitcoin, Ethereum), one small cryptocurrency (XMR) and one stablecoin (USDT). This choice makes it possible to consider all the specific features of the cryptocurrency market. Intraday data, using

a minute time frame, is utilized to optimize results and align with the fast-paced nature of the cryptocurrency ecosystem. Focusing on Donald Trump's announcements, only five are selected and numbered from 1 to 5. Announcement 5 is the most significant, corresponding to Donald Trump's 2024 presidential election victory announcement.

The announcements selected are those made by Donald Trump in recent months, in conjunction with his presidential campaign and his election. To facilitate and consider the media dimension, the ads come from Donald Trump's X account. Some ads come from well-known media such as Bloomberg or the X WatcherGuru account. The special features of these media are that you can find out the exact time of the announcement and that they are followed by millions of people.

3 Methods

The event study employs a linear regression approach, incorporating a binary variable for each announcement date. Lags and leads are used to measure the timeframe of the announcements and any anticipated delays. Armitage (1995) uses a 5-hour estimation window to obtain a sufficiently robust model. However, Cryptocurrency react much quickly over time and the effects seem to disappear after a few minutes (Filezac de l'Etang, 2024), that is why a 60-minutes event window is used.

Performing a linear regression taking Auer and Claessens (2018) as a model to address the impact of the announcement on transaction volume.

$$TV_{i,t} = \alpha_0 + \beta_1 X + \varepsilon \tag{1}$$

Where the transaction volume TV of stablecoin i at time t, and β_1 is the regression coefficient of the binary variable X. The binary variable represents each event in the study, taking the value 1 when the event occurs and 0 if not.

The regression decomposes the endogenous variable, allowing observation-by-observation analysis. The event window is narrowed to 30 minutes before and after to capture immediate effects.

$$TV_{i,t-p} = \alpha_0 + \beta_1 X + \varepsilon \tag{2}$$

The equation introduces a lag (p) on the transaction volume, justified by the discrete nature of the binary variable (0 or 1) and its lack of temporal continuity. This choice prevents the autocorrelation of volumes (Filezac de l'Etang, 2024)
Then, To consider a delay effect, a lead q is applied to the endogenous variable:

$$TV_{i,t+q} = \alpha_0 + \beta_1 X + \varepsilon \tag{3}$$

4 Results and discussion

The results show that cryptocurrency market reactions are highly asymmetric depending on the type of announcement, the nature of the asset and the perceived scale of the event. For Bitcoin, the creation of crypto platform produces a positive reaction in Bitcoin when it occurs, and a delayed effect after 7 minutes. However, the effects are short-lived and disappear rapidly. The

election of Donald Trump produce immediate and significant effects, with coefficients indicating positive movements followed by rapid corrections. This reflects not only the importance attributed by investors to structuring events, such as the creation of a crypto platform or the presidential re-election, but also a tendency towards volatility accentuated by a lack of clarity or uncertain expectations.

For Ethereum, the announcement of Donald Trump's victory leads to a positive reaction in its returns, with a significant immediate effect at the moment of the announcement. However, this reaction is short-lived, with no significant anticipation or persistence observed in the minutes following the event. Announcements 2, 3, and 4 generate both delayed and anticipated effects, with coefficients alternating between positive and negative values. This pattern reflects a state of uncertainty among investors, possibly driven by mixed interpretations of the announcements' implications for Ethereum's broader ecosystem. Unlike Bitcoin, Ethereum's reactions suggest a more nuanced investor sentiment, where immediate enthusiasm is tempered by cautious evaluation of the announcements' long-term impact.

Monero, a more confidential cryptocurrency, is showing interesting dynamics. The significant declines in yields following announcements 2 and 5 reflect a likely adverse trade-off. Donald Trump's explicitly pro-Bitcoin statements may have diverted investors' attention to the dominant cryptocurrencies. This suggests that smaller market participants are more affected by capital reallocations during periods of increased volatility.

Finally, the total lack of effect on Tether is consistent with its role as a stablecoin, designed to withstand market fluctuations. This demonstrates that, despite the euphoria or uncertainty generated by major political announcements, stablecoins remain largely unaffected by these variations, serving as a temporary refuge or liquidity reserve.

These results come against a backdrop in which cryptocurrencies are increasingly influenced by extra-economic factors. Bitcoin's immediate but short-lived reaction illustrates the role of speculation in this market. Furthermore, the delayed and sometimes contradictory reactions of Ethereum and Monero highlight a growing segmentation within the cryptocurrency market, where some assets play a thought-leader role, while others passively undergo reallocations. While these results reflect short-term market reactions, they may also serve as early indicators of investor expectations regarding potential regulatory changes and broader macroeconomic influences.

Table I: Intraday reaction of Bitcoin returns

BTC	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
Lag					
-15	-0.0002	**0.0016***	0.0000	-0.0007	0.001
-14	0.0027	0.0011	0.0000	-0.0005	0.001
-13	0.0005	0.0013	0.0004	0.0001	0.002
-12	0.0005	0.0016	-0.0001	-0.0003	**0.003***
-11	**0.0029****	0.0009	0.0000	-0.0008	0.002
-10	0.0001	0.0009	0.0002	0.0003	0.001
-9	0.0000	0.0003	0.0002	0.0003	0.001
-8	**0.0022***	0.0009	0.0007	0.0006	-0.001
-7	0.0021	0.0002	0.0028	0.0010	-0.003
-6	-0.0010	0.0001	0.0008	0.0009	-0.001
-5	-0.0010	-0.0001	0.0006	0.0010	-0.003
-4	-0.0018	-0.0002	-0.0002	0.0008	-0.002
-3	-0.0013	-0.0009	-0.0004	0.0001	-0.002
-2	0.0013	-0.0017	-0.0005	0.0002	-0.003
-1	-0.0015	-0.0008	-0.0004	-0.0004	**0.004*****
0	-0.0015	-0.0018	**0.0007****	-0.0002	**0.004****
1	-0.0007	**-0.0026****	-0.0004	0.0005	**-0.004****
2	-0.0004	-0.0016	-0.0005	0.0007	**-0.004****
3	-0.0007	-0.0020	-0.0004	0.0009	**-0.003***
4	-0.0003	**-0.0020***	-0.0002	0.0012	-0.002
5	-0.0002	-0.0006	0.0006	0.0002	-0.002
6	0.0010	0.0009	0.0008	0.0005	-0.002
7	0.0004	0.0019	**0.002*****	-0.0005	-0.001
8	0.0005	0.0010	0.0007	-0.0009	0.000
9	0.0003	0.0010	0.0002	-0.0012	0.001
10	-0.0002	0.0009	0.0002	-0.0005	0.001
11	0.0006	0.0007	0.0000	-0.0007	0.001
12	0.0005	0.0009	-0.0001	-0.0013	0.003
13	-0.0009	0.0011	0.0004	-0.0009	0.002
14	-0.0009	**0.0024***	0.0000	-0.0015	0.002
15	-0.0005	0.0017	0.0000	**-0.0020***	0.001

Note. The table reports regression coefficients measuring the impact of announcements on Bitcoin returns. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Table II: Intraday reaction of Ethereum returns

ETH	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
Lag					
-15	0.0002	**0.0026***	0.0003	**-0.0008***	0.0002
-14	0.0007	0.0024	0.0007	-0.0005	0.0001
-13	0.0009	0.0024	0.0007	-0.0002	0.0022
-12	0.0007	0.0028	0.0007	-0.0003	0.0006
-11	0.0030	0.0017	0.0000	-0.0002	0.0040
-10	0.0002	0.0020	0.0001	0.0002	0.0037
-9	0.0005	0.0018	-0.0002	-0.0005	0.0056
-8	0.0002	0.0021	-0.0002	-0.0006	0.0063
-7	0.0000	0.0020	-0.0001	-0.0005	0.0077
-6	-0.0005	0.0016	-0.0002	-0.0005	0.0060
-5	-0.0008	0.0013	-0.0004	0.0004	0.0060
-4	-0.0009	0.0014	0.0001	0.0005	0.0046
-3	-0.0004	0.0007	**0.0008***	0.0009	0.0053
-2	-0.0006	0.0003	0.0004	0.0001	0.0067
-1	-0.0007	0.0007	0.0004	0.0002	0.0076
0	**0.0007****	-0.0005	-0.0004	-0.0001	**0.009***
1	-0.0001	-0.0036	0.0004	0.0001	0.008
2	0.0000	-0.0035	0.0004	**0.0010***	0.007
3	0.0000	**-0.0037***	**0.0009***	**0.0009***	0.005
4	0.0001	-0.0037	0.0001	0.0007	0.004
5	-0.0002	-0.0026	-0.0004	0.0006	0.004
6	**0.001***	-0.0013	-0.0002	0.0006	0.001
7	0.0009	-0.0015	-0.0001	-0 0006	-0.001
8	0.0004	-0.0015	-0.0002	0	0.001
9	0.0004	0.0001	-0.0002	-0 0007	-0.001
10	-0.0002	0.0005	0.0001	**-0.001****	-0.003
11	0.0006	0.0000	0.0000	-0 0004	-0.003
12	0.0001	0.0002	0.0007	-0 0001	-0.004
13	**-0 001***	0.0002	0.0007	-0 0003	-0.003
14	-0.0011	0.0014	0.0007	0.0001	-0.001
15	-0.0009	0.0008	0.0003	**-0.0012***	-0.002

Note. The table reports regression coefficients measuring the impact of announcements on Ethereum returns. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Table III: Intraday reaction of Monero returns

XMR	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
Lag					
-15	-0.1249	0.0205	-0.0113	0.0129	0.003
-14	0.0812	0.0185	0.0188	-0.0094	0.001
-13	-0.1069	0.0183	-0.0102	0.0123	0.000
-12	0.0824	**-0.0905*****	-0.0111	-0.0086	0.003
-11	0.0878	**-0.0913*****	0.0172	-0.0054	0.002
-10	-0.1117	**-0.0920*****	-0.0110	-0.0052	0.003
-9	0.0795	0.0131	0.0179	0.0124	0.004
-8	-0.1156	0.0128	0.0182	0.0119	0.004
-7	0.0726	0.0106	-0.0122	-0.0061	0.001
-6	0.0695	0.0102	-0.0104	-0.0065	0.005
-5	0.0742	0.0098	-0.0110	-0.0072	0.004
-4	0.0785	0.0075	-0.0105	-0.0048	**-0.022*****
-3	0.0825	0.0066	0.0177	-0.0042	**-0.022*****
-2	0.0862	0.0068	-0.0103	-0.0055	**-0.022*****
-1	-0.1033	0.0084	0.0183	-0.0059	0.005
0	-0.0995	0.0093	-0.0090	0.0112	0.006
1	-0.1032	0.0105	0.0183	0.0116	0.006
2	-0.0977	0.0099	-0.0103	-0.0056	0.006
3	0.0897	0.0113	0.0177	-0.0054	0.005
4	-0.1006	0.0070	-0.0105	-0.0080	0.005
5	0.0968	0.0045	-0.0110	-0.0059	0.007
6	0.0931	0.0027	-0.0104	0.0109	0.004
7	0.0972	0.0037	-0.0122	0.0113	0.004
8	0.0933	0.0039	0.0182	0.0119	0.004
9	0.0977	0.0036	0.0179	-0.0085	0.005
10	-0.0929	0.0056	-0.0110	-0.0091	0.004
11	-0.0885	0.0045	0.0172	-0.0078	0.004
12	-0.0822	0.0039	-0.0111	0.0107	0.004
13	-0.0766	0.0030	-0.0102	-0.0091	0.005
14	-0.0704	0.0036	0.0188	0.0100	0.004
15	-0.0780	0.0033	-0.0113	0.0095	0.004

Note. The table reports regression coefficients measuring the impact of announcements on Monero returns. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Table IV: Intraday reaction of USDT returns

USDT	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
Lag					
-15	0.0000	0.0000	0.0000	0.0000	0.0000
-14	0.0000	0.0000	0.0000	0.0000	0.0000
-13	0.0000	0.0000	0.0000	0.0000	0.0000
-12	0.0000	0.0000	0.0000	0.0000	0.0000
-11	0.0000	0.0000	0.0000	0.0000	0.0000
-10	0.0000	0.0000	0.0000	0.0000	0.0000
-9	0.0000	0.0000	0.0000	0.0000	0.0000
-8	0.0000	0.0000	0.0000	0.0000	0.0000
-7	0.0000	0.0000	0.0000	0.0000	0.0000
-6	0.0000	0.0000	0.0000	0.0000	0.0000
-5	0.0000	0.0000	0.0000	0.0000	0.0000
-4	0.0000	0.0000	0.0000	0.0000	0.0000
-3	0.0000	0.0000	0.0000	0.0000	0.0000
-2	0.0000	0.0000	0.0000	0.0000	0.0000
-1	0.0000	0.0000	0.0000	0.0000	0.0000
0	0.0000	0.0000	0.0000	0.0000	0.0000
1	0.0000	0.0000	0.0000	0.0000	0.0000
2	0.0000	0.0000	0.0000	0.0000	0.0000
3	0.0000	0.0000	0.0000	0.0000	0.0000
4	0.0000	0.0000	0.0000	0.0000	0.0000
5	0.0000	0.0000	0.0000	0.0000	0.0000
6	0.0000	0.0000	0.0000	0.0000	0.0000
7	0.0000	0.0000	0.0000	0.0000	0.0000
8	0.0000	0.0000	0.0000	0.0000	0.0000
9	0.0000	0.0000	0.0000	0.0000	0.0000
10	0.0000	0.0000	0.0000	0.0000	0.0000
11	0.0000	0.0000	0.0000	0.0000	0.0000
12	0.0000	0.0000	0.0000	0.0000	0.0000
13	0.0000	0.0000	0.0000	0.0000	0.0000
14	0.0000	0.0000	0.0000	0.0000	0.0000
15	0.0000	0.0000	0.0000	0.0000	0.0000

Note. The table reports regression coefficients measuring the impact of announcements on Tether returns. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

5 Conclusion

The study aims to determine what effect Donald Trump's victory in the presidential elections has had. Using a high-frequency event study and considering Donald Trump's rare announcements, we note significant but very short-lived effects on Bitcoin, explicitly cited and defended by Donald Trump, but also Ethereum. The smallest cryptocurrency in the study, Monero, seems to have been affected by Donald Trump's victory. Tether's lack of results underlines its stability in the face of political changes or announcements. This result is in line with the study carried out on the effects of institutional announcements on stablecoins (Filezac de l'Etang, 2024).

Beyond these short-term findings, the results allow for a discussion of the longer-term implications of Donald Trump's policy stance toward cryptocurrencies. Although the present study does not measure long-term effects directly, the observed market reactions reflect investors' interpretation of Trump's explicitly pro-cryptocurrency positions, including his opposition to restrictive regulation and central bank digital currencies, as well as his support for domestic cryptocurrency activity. In this sense, short-term price adjustments can be interpreted as forward-looking responses to anticipated changes in the U.S. regulatory environment rather than purely speculative reactions. A sustained political orientation favoring cryptocurrencies could influence future regulatory frameworks by reducing regulatory uncertainty, encouraging institutional participation, and shaping the legal conditions under which cryptocurrency markets operate in the United States. While such regulatory outcomes cannot be directly assessed in this study, the observed responses suggest that investors perceive Trump's policies as potentially consequential for the future regulation of cryptocurrencies.

In addition to these long-term considerations, these results also have several implications for investors, both economic and political. Firstly, they underline the importance of political or economic announcements having concrete consequences for the cryptocurrency market. Investors seem to react more to structuring commitments, such as the creation of a crypto platform, which can directly influence the regulatory framework or the adoption of cryptocurrencies. Secondly, the results highlight the role that influential political figures, such as Donald Trump, can play in cryptocurrency volatility, depending on the credibility and perceived reach of their announcements. Finally, these findings suggest that financial markets are more sensitive to tangible actions and commitments than to mere election promises, which has implications for the strategic communication of political decision-makers when addressing investors.

Nevertheless, several limitations of this study should be acknowledged. First, the analysis relies on a small number of political announcements, reflecting the rarity of such events rather than a data selection bias. As a result, the findings should be interpreted with caution and viewed as evidence of short-term market reactions rather than long-term or structural effects. Second, while the high-frequency event-study framework is well suited to capturing immediate investor responses, it does not allow for the identification of persistent dynamics or equilibrium adjustments. Finally, the observed price reactions reflect investors' expectations and interpretations of political signals rather than realized policy changes.

Finally, the findings should be interpreted within a broader economic and institutional context. Cryptocurrency markets are influenced by multiple factors beyond domestic political or media announcements, including international regulatory developments, global macroeconomic conditions, monetary policy shifts, and overall market sentiment (Bouri et al., 2019; da Gama Silva et al., 2019; Ante, 2021). These forces may interact with political events or even dominate their effects over longer horizons. Future research could extend this analysis by considering cross-country political developments, regulatory changes, or longer time horizons to better assess the interaction between political signals and broader economic trends in cryptocurrency markets.

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Appendix

Table V: Announcement studied

Type	Announcement	Date
Watcher.Guru	Former President Donald Trump says he'll stop the hostility towards crypto in the US and embrace it (1)	09/05/2024 02:51 UTC
Donald Trump X	Bitcoin mining may be our last line of defense against a CBDC. Biden's hatred of Bitcoin only helps China, Russia and the Radical Communist Left. We want all the remaining Bitcoin to be MADE IN THE USA (2)	12/06/2024 09:27 UTC
	I promised to Make America Great Again this time with crypto. World libertyFI is planning to help make America the crypto capital of the world! The whitelist for eligible persons is officially open – this is your chance to be part of this (3)	30/09/2024 17:15 UTC
	I would like to wish our great Bitcoiners a Happy 16th anniversary of Satoshi's White Paper. We will end Kamala's war on crypto & Bitcoin will be made in the USA (4)	31/10/2024 18:01 UTC
Bloomberg	Trump Wins US Presidential Election in Extraordinary Comeback. (5)	2024-11-06 10:38 UTC