

Why is the Market Happy with Trump?

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Abstract:

We investigate how much of the stock price increase following Trump's election (aka the Trump Rally) is due to firms' exposure to tax havens. Analysts claim that the Trump Rally is due to expectations for higher future earnings. We claim that a part of this positive sentiment is due to past earnings. We show that firms that have more assets in known tax havens experience higher increases in their stock price. We hypothesize that stock prices increase in part because of expected repatriation of past earnings, rather than just rosy optimism for the future.