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Shockwaves of Political Leadership: The Impact of Trump's Second Presidency on Global Oil Prices

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ABSTRACT

This study explores how Donald Trump's 2024 re-election affected Brent crude oil prices using an Interrupted Time Series (ITS) model. Given the importance of U.S. political shifts on global markets, the study tests for a structural break in oil prices following the election. Using daily data from January 2022 to March 2025, it controls for key macro-financial factors: The Economic Policy Uncertainty (EPU) Index, Dow Jones Industrial Average (DJIA), and the 10-year U.S. Treasury Yield. Findings show a significant 5.25% drop in Brent oil prices immediately after Trump's re-election, indicating initial market uncertainty. However, the trend reversed in the days after, suggesting that investor sentiment adjusted over time. A placebo test found no such effect before the election, strengthening causal claims. Additionally, a Distributed Lag ITS model revealed the decline unfolded gradually. These results echo past research linking political uncertainty to oil price volatility, highlighting the short-term sensitivity of oil markets to leadership shocks. Still, the later price recovery points to longer-term resilience. This research adds to the literature on political impacts on commodity markets, offering useful insights for investors, energy economists, and policymakers navigating politically driven market risks.

Keywords: Trump Re-election, Interrupted Time Series, Political Uncertainty, Oil Prices, Energy Markets
JEL Classifications: Q41, Q47, E44, G14, D84

1. INTRODUCTION

Oil prices are among the most volatile and geopolitically sensitive commodities in global markets, with fluctuations driven by a complex interaction of supply dynamics, macroeconomic conditions, and political uncertainty (Degiannakis et al., 2018). The U.S. presidential elections are among the most significant global political events affecting oil prices (Snowberg et al., 2007; Ahmadian, 2011; Morales et al., 2021; Albori et al., 2024). Given the United States' position as one of the world's largest oil producer and consumer, any shift in leadership-particularly one as politically polarizing as Donald Trump's second presidency-can have far-reaching consequences in the oil market.

The literature highlights that political event, including geopolitical tensions, economic policy uncertainty, and specific incidents like elections and conflicts, significantly influence oil price volatility. Studies have shown that increased economic policy uncertainty leads to higher oil price volatility, affecting both short-term speculative trading and long-term investment decisions in the energy sector (Baker et al., 2016; Caldara and Iacoviello, 2022). Historically, oil prices have responded significantly to policy changes related to trade relations, and geopolitical tensions. For instance, during Trump's first term, his administration's deregulation policies, and aggressive trade policies with China created both supply-side shocks and demand uncertainties in the oil market (Mignon and Saadaoui, 2024). The return of Trump to office in 2024 raises similar concerns

about how renewed shifts in U.S. energy and foreign policy will affect global oil prices.

This study empirically examines the impact of Trump's second presidency on daily Brent crude oil prices using an Interrupted Time Series (ITS) regression model. The ITS approach allows for a quantitative assessment of structural breaks in oil price trends following a major political event. By incorporating daily data on Brent crude oil prices, the U.S. 10-year Treasury yield, the Dow Jones Industrial Average (DJIA), and the U.S. Economic Policy Uncertainty (EPU) Index, this study aims to capture both the immediate and sustained effects of political uncertainty on oil prices.

The primary hypothesis that the current study aims to test is that Trump's re-election increased market uncertainty, leading to greater volatility in oil prices. The study also explores whether financial market indicators such as treasury yields and stock market movements play a role in moderating or amplifying oil price shifts. By analyzing these interactions, this paper contributes to the broader literature on political risk and commodity markets, offering insights for policymakers, investors, and energy economists on how leadership transitions in major economies shape global oil price behavior.

The rest of the paper is structured as follows. Section 2 provides a snapshot of the evolution of oil prices, economic policy uncertainty and the other macro-financial indicators over the study period. Section 3 discusses the related literature. Section 4 presents the data and the empirical methodology. Section 5 presents the results, which are discussed in Section 6. Section 7 concludes the paper with some policy recommendation.

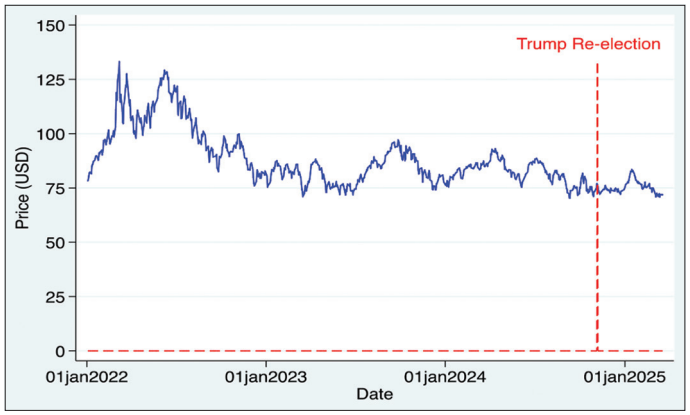
2. EVOLUTION OF OIL PRICES, ECONOMIC POLICY UNCERTAINTY AND THE OTHER MACRO-FINANCIAL INDICATORS OVER THE STUDY PERIOD (2022-2025)

The period from January 2022 to March 2025 is characterized by significant economic and geopolitical disruptions that shaped global financial markets. Key indicators-namely Brent crude oil prices, the Dow Jones Industrial Average (DJIA), the U.S. 10-year Treasury yield, and the Economic Policy Uncertainty (EPU) Index-exhibited considerable variation in response to changing market conditions, policy shifts, and investor expectations. Analyzing the evolution of these variables provides essential context for assessing the market impacts of Donald Trump's second presidency.

Figure 1 displays the evolution of Brent crude oil prices and shows notable volatility over the study period. The year 2022 began with a strong upward trend in oil prices, driven by a post-Covid 19 pandemic demand recovery and supply disruptions, particularly due to Russia's invasion of Ukraine. Brent prices peaked at over $117 per barrel in March 2022 (International Energy Agency, 2022). However, this upward momentum was not sustained. By late 2024 and into early 2025, prices had steadily declined, reaching approximately $72 per barrel by March 2025. This downward adjustment reflected weaker-than-expected demand-especially from China-and increased production from non-OPEC countries, including the United States and Brazil (International Energy Agency, 2025). According to the U.S. Energy Information Administration (2025), Brent prices are projected to average $74 per barrel in 2025, down from $81 in 2024, largely due to excess supply and slowing global economic activity.

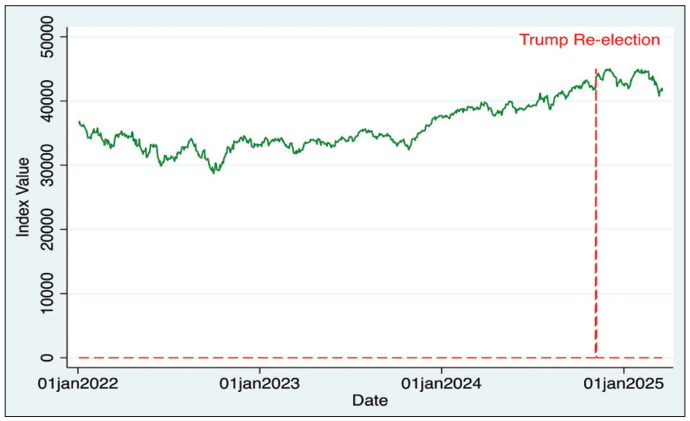
The DJIA, displayed in Figure 2, followed a trajectory shaped by alternating periods of optimism and volatility. Throughout 2022 and early 2023, the index benefited from investor confidence in the global recovery and strong corporate earnings. However, in 2024, increased policy uncertainty related to the U.S. presidential election, coupled with renewed concerns over trade disruptions, led to increased volatility. March 2025 witnessed particularly sharp declines, as investors responded to mixed economic signals and uncertainty over the Federal Reserve's policy view. For example, on March 14, 2025, the DJIA fell by over 3%, reflecting growing recession fears (CNN Business, 2025). However, partial recoveries occurred, such as the rebound following the Fed's decision to maintain interest rates, which was interpreted as a sign of policy caution amid fragile market conditions (Associated Press News, 2025).

Figure 1: Brent crude oil prices (January 2022-March 2025)



Source: Constructed by authors

Figure 2: Dow jones industrial average (January 2022-March 2025)

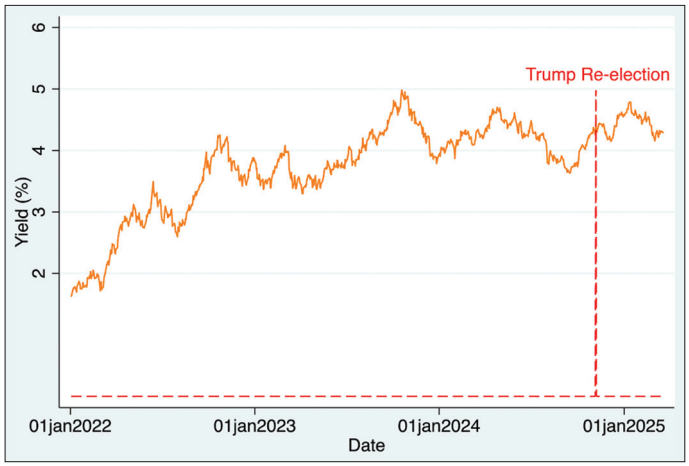


Source: Constructed by authors

Movements in the 10-year Treasury yield, depicted in Figure 3, were shaped by investor sentiment regarding inflation, interest rates, and fiscal sustainability. From a level of approximately 1.6% in early 2022, yields rose steadily, reaching a high of nearly 4.8% in late 2024. This rise was attributed to persistent inflationary pressures and growing concerns about U.S. fiscal deficits. In early 2025, long-term yields remained high, suggesting that investors remained skeptical of the Fed's ability to hold back inflation without triggering a downturn (Morningstar, 2025). By mid-March 2025, yields had eased slightly to around 4.25%, as market participants shifted toward safer assets amidst equity market instability (Associated Press, 2025).

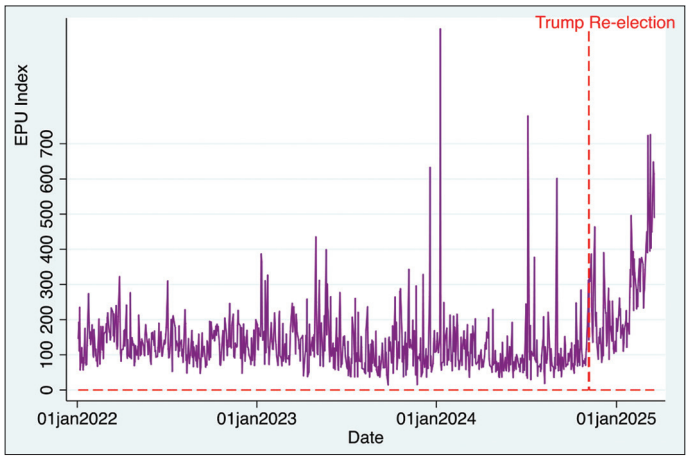
The EPU Index, displayed in Figure 4, remained relatively low throughout much of 2022 and 2023, but increased dramatically in late 2024, coinciding with the U.S. presidential election and the beginning of Trump's second term. Uncertainty surrounding trade policy, fiscal spending, and international relations drove the index to levels comparable to previous global shocks, including the 2008 financial crisis and the COVID-19 pandemic (Economic Policy Uncertainty, 2025). Interestingly, this increase in policy uncertainty was not accompanied by proportionate volatility in bond markets. Nevertheless, high EPU levels are often associated with declines in business investment and increases in financial market risk premiums (Baker et al., 2016).

Figure 3: 10-year treasury yield (January 2022-March 2025)



Source: Constructed by authors

Figure 4: Economic policy uncertainty index (January 2022-March 2025)



Source: Constructed by authors

To sum up, the evolution of these key variables suggests a macro-financial environment characterized by uncertainty, volatility, and the interplay of domestic and international pressures. Brent crude oil prices proved highly responsive to shifts in global demand and geopolitical tension, while the DJIA and Treasury yields reflected the dual influence of economic fundamentals and investor expectations. The EPU Index served as an indicator of observed policy instability, peaking during political transitions and emphasizing the sensitivity of markets to governance and regulatory attitudes. These dynamics provide critical background for interpreting the effects of political events-particularly Trump's re-election-on global oil markets.

3. LITERATURE REVIEW

The relationship between U.S. political leadership and global oil prices is complex and shaped by many factors, including economic policy decisions, geopolitical tensions, investor sentiment, and institutional behavior. A growing body of literature has examined how U.S. presidential elections, particularly those involving Donald Trump, influence global oil price dynamics. These elections tend to increase uncertainty, which in turn affects asset and commodity markets. Baker et al. (2016) emphasize that U.S. presidential elections are major events that trigger spikes in economic policy uncertainty. This uncertainty slows investment, increases financial market volatility, and shifts asset prices, including commodities like oil. For example, the uncertainty surrounding the 2016 election led to significant asset price fluctuations. Asset markets indicators such as the Dow Jones Industrial Average (DJIA) often experience increased volatility in the lead-up to elections, largely due to the potential for dramatic policy shifts depending on which candidate wins (Kelly et al., 2016). Investors react not only to election outcomes but also to the anticipated policy directions of the candidates. Trump's administration from 2016 to 2020 promoted aggressive deregulation and trade reform. Pástor and Veronesi (2013) found that political uncertainty raises the risk premium required by investors, influencing capital allocation and contributing to price volatility. For a comprehensive review of the literature on the oil prices-stock markets linkage see Degiannakis et al. (2018).

Global oil markets are particularly sensitive to geopolitical developments, which can rapidly shift expectations about supply and demand. Oil prices often respond directly to political events that change these expectations, especially in times of elevated uncertainty such as during international sanctions, military conflicts, or closely contested elections (Baumeister and Kilian, 2016). Caldara and Iacoviello (2022) developed a geopolitical risk index based on news coverage and found that both real and perceived geopolitical shocks lead to increased oil price volatility, affecting both short-term market dynamics and long-term investment behavior. Since oil is priced in U.S. dollars, fluctuations in the dollar's value and changes in treasury yields can indirectly influence oil prices through exchange rate channels. For instance, an appreciation of the U.S. dollar makes oil more expensive for holders of other currencies,

potentially reducing global demand and exerting downward pressure on oil prices. Conversely, a depreciation of the dollar can make oil cheaper internationally, potentially boosting demand and driving prices up. Also, rising U.S. treasury yields can attract investment into dollar-denominated assets, strengthening the dollar and similarly affecting oil prices (Kilian and Zhou, 2022; U.S. Energy Information Administration, 2025).

During his first term, President Trump made major changes to U.S. energy policy under the idea of achieving "energy dominance." His administration pushed for more domestic fossil fuel production, rolled back environmental regulations, and supported projects like the Keystone XL pipeline-which had previously been blocked for environmental reasons (Wikipedia, 2024). The goal was to boost U.S. energy independence and reduce the need for imported oil. At the same time, the administration placed tough sanctions on major oil-producing countries, especially Iran and Venezuela. These sanctions were designed to limit their ability to export oil and reduce global supply. For example, the U.S. Treasury targeted a group of entities helping Iran move oil, tightening restrictions on its exports (Harrup, 2025). Also, the U.S. government introduced sanctions on Venezuela's oil sector to cut off a major source of income for the Maduro government (Congressional Research Service, 2024). Together, these policies affected how markets viewed both short-term supply risks and longer-term shifts in oil availability, which contributed to the rise and fall of oil prices during that time.

Although aimed at boosting U.S. energy independence, these policies sometimes destabilized global markets. During such periods, investor behavior often turns speculative. Trump's public statements, particularly through social media, frequently influenced market expectations. As political uncertainty increase, investors tend to place greater value on holding physical oil-reflected in a higher "convenience yield"-which can in turn push prices upward (Alquist and Kilian, 2010).

The nexus between oil markets and politics is not one-directional. Political events influence oil prices, but oil price changes can also shape political outcomes. Paler et al. (2023) found that oil discoveries have the potential to influence election results and reshape economic expectations even before production begins. Snowberg et al. (2007) analyzed high-frequency financial fluctuations during U.S. presidential elections and find that markets anticipated higher oil prices under a Republican presidency compared to a Democratic one. This anticipation led investors to adjust their portfolios accordingly, influencing oil prices in the period leading up to the elections. This highlights how political expectations and the potential for policy shifts can lead to proactive market responses, including adjustments in commodity prices such as oil. Ahmadian (2011), using data from 1919 to 2009, found that about 72% of gasoline price fluctuations could be explained by crude oil market dynamics and international events, but also that U.S. presidential elections, especially those involving a change in political leadership, had a noticeable impact.

Albori et al. (2024) applied a structural VAR model and discovered that rising odds of Trump's re-election led to falling oil prices, rising stock prices, and increased bond market volatility-an outcome reflecting expectations that a Trump administration would focus on economic growth over environmental regulation. Similarly, Ferriani et al. (2025) analyzed immediate market responses to Trump's 2024 victory, reporting significant stock gains in energy, finance, and industrial sectors, even as general economic uncertainty increased. This suggests that markets welcomed Trump's pro-business stance but remained cautious about long-term risks. Morales et al. (2021) found that during both the Obama and Trump administrations, political uncertainty-measured via the Economic Policy Uncertainty (EPU) Index-had lasting effects on the S&P 500, particularly during the COVID-19 period, reinforcing the idea that political leadership and global shocks are deeply connected to market behavior.

Aside of U.S.-specific events, broader geopolitical risks also influence global oil markets. Bouoiyour et al. (2019) distinguish between actual geopolitical acts (like military conflict or sanctions) and mere threats, finding that real actions cause more significant oil price increases. Mignon and Saadaoui (2024) show that geopolitical tensions as well as improved diplomatic relations-especially between the U.S. and China-can both drive oil prices up, depending on whether markets interpret these developments as signs of rising risks or future growth. Ivanovski and Hailemariam (2022), using data from 16 countries, show that oil volatility tends to raise geopolitical risk, with variations across nations. Their findings suggest that the connection between oil and politics is bidirectional and evolves over time.

Jiang et al. (2020) used a quantile-based causality test to examine how political conflict influences the oil and gold markets. Their results suggest that oil returns are more sensitive to political tension during market downturns, while gold is more reactive during optimistic periods. Importantly, the volatility of both commodities was consistently tied to political conflict across different market states. Kang and Ratti (2013) demonstrate that unexplained increases in oil prices often lead to spikes in policy uncertainty, reinforcing the feedback loop between oil markets and politics.

Balcilar et al. (2017) further confirm that uncertainty indices, such as the economic policy uncertainty (EPU) and equity market uncertainty (EMU), are useful predictors of oil returns and volatility, particularly during market stress when traditional models struggle to capture complexity. This relationship is not confined to the U.S. Su et al. (2019) expanded the analysis to Saudi Arabia, finding that geopolitical risk and oil price shifts significantly influence financial liquidity. Their study supports the argument that countries dependent on oil revenue should diversify to reduce their exposure to external shocks.

Khan (2017) examined the 2014 oil price crash, and found that both the U.S. shale boom and global geopolitical strategies contributed to the decline, and that conventional supply-demand models alone cannot explain such events.

Within the U.S., other domestic factors also play a role. Su et al. (2020) show that the U.S. dollar index, partisan conflict, and oil

production levels all affect oil prices, with the dollar showing the most consistent influence, especially after the 2008 financial crisis. While partisan conflict also affects oil, its influence is more conditional and situation-specific. Zhang et al. (2008) and Coudert and Mignon (2016) highlight the long-term connection between oil prices and the U.S. dollar. Generally, when the dollar weakens, oil prices tend to rise, though the effect is more visible in the long run than in short-term market fluctuations.

To sum up, the discussed studies show the strong connection between global oil market, political leadership, policy uncertainty, international relations, and financial conditions. Donald Trump's presidency-marked by a unique mix of domestic deregulation, aggressive foreign policy offers a useful case for studying how political power can influence oil markets. In this context, evaluating the potential impact of a second Trump presidency on global oil prices is not only relevant but also essential to understand how modern political dynamics shape market behavior.

4. DATA AND METHODS

The study utilizes high-frequency daily data to capture short-term fluctuations and market reactions surrounding the recent U.S. presidential election event. By integrating macroeconomic and financial indicators, such as the U.S. 10-year treasury yield (*TY*10), the Dow Jones Industrial Average (DJIA), and the Economic Policy Uncertainty (EPU) Index, the analysis accounts for broader economic forces that could influence oil prices beyond political factors.

Daily data on Brent Crude Oil Price (USD per barrel) is obtained from the U.S. Energy Information Administration (EIA), (n.d.). To account for policy-related economic uncertainty in the U.S we use daily EPU index for United states which is obtained from the Federal Reserve Economic Data, Federal Reserve Bank of St. Louis (Baker et al., 2025). The daily data on DJIA is obtained from the Federal Reserve Economic Data, Federal Reserve Bank of St. Louis (S&P Dow Jones Indices LLC, 2025). Daily U.S. 10-Year Treasury Yield, which is used as a proxy for long-term economic confidence is also obtained from Federal Reserve Economic Data (FRED) (Board of Governors of the Federal Reserve System, 2025).

Given that data is only available until March 20, 2025, which is the date this study is finalized, the study period is defined as follows. Pre-election period runs from January 3, 2022 which is the first business day of the month, to November 5, 2024, US presidential election day is November 6, 2024, post-election period runs from November 6, 2024 to March 20, 2025. This time frame ensures a sufficient pre-election period to establish a stable baseline for oil prices while capturing the immediate and short-term effects of Trump's re-election on global oil markets.

We use an Interrupted Time Series (ITS) regression model to examine the impact of Donald Trump's second presidency on daily Brent crude oil prices. The ITS is a robust method for evaluating policy changes and external shocks by assessing both level shifts and trend changes in the dependent variable (Ferron and Rendina-Gobioff, 2005).

The ITS model that we are interested in estimating is shown in Equation (1)

$$ln\ Brent_t = \beta_0 + \beta_1\ T_t + \beta_2\ D_t + \beta_3\ (T_t \times D_t + \beta_4\ EPU_t + \beta_5\ DJIA_t + \beta_6\ TY10_t + \varepsilon_t \quad (1)$$

Where $ln\ Brent_t$ is the natural logarithm of daily Brent crude oil price (USD per barrel), T_t is a time trend (measured in days from the start of the sample), D_t is a dummy variable measuring Trump's second presidency, equals zero for pre-election period (before November 6, 2024) and equals one for post-election period (November 6, 2024, onwards). Brent crude oil prices are log-transformed to stabilize the variance. $T_t \times D_t$ is an interaction term to capture changes in the trend post-election. EPU_t is the daily Economic Policy Uncertainty (EPU) Index. $DJIA_t$ is the daily Dow Jones Industrial Average. $TY10_t$ is the daily U.S. 10-year Treasury Yield and ε_t is the random error term. β_4, β_5 and β_6 measure the impact of policy uncertainty, stock market sentiment, and treasury yields respectively on oil prices. β_2 measures the immediate price change post-Trump's re-election and β_3 measures the long-term shift in price movement.

The ITS regression is estimated using Newey-West heteroskedasticity and autocorrelation consistent (HAC) standard errors. As a robustness check, we use January 20, 2025 (Inauguration Day) instead of November 6, 2024 as an alternative event date. Any missing values in the variables are filled using time-based interpolation, which is appropriate for daily financial time series data.

To ensure the robustness of our findings, we implement two key robustness checks: a placebo test and a Distributed Lag ITS model, both of which help validate the causal impact of Trump's 2024 re-election on Brent crude oil prices.

First, we conduct a placebo test, which involves re-estimating the ITS model using an arbitrary break date, (October 6, 2024), which is a month before the actual election. This allows us to test whether a similar structural break is observed in a period where no major political event took place. If the placebo test does not produce a statistically significant effect, it strengthens the argument that the observed decline in Brent crude oil prices is indeed attributable to the election outcome and not to unrelated macroeconomic factors or market fluctuations.

Second, we extend the ITS model by implementing a Distributed Lag ITS specification, which captures potential delayed market reactions over a 10-day post-election window. Instead of assuming an immediate structural break, this model introduces separate daily treatment effects, allowing for a more detailed analysis of the timing and persistence of the price response. This approach is particularly relevant for financial markets, where investors may adjust their expectations gradually rather than instantaneously. By identifying whether the effect unfolds over multiple days, this model offers deeper insights into the dynamics of market responses.

Both robustness checks help verify that the estimated impact of Trump's re-election is not driven by spurious correlations or short-term volatility but reflects a genuine market response.

5. EMPIRICAL RESULTS

Table 1 presents a summary statistics of the variables used in the analysis. The average value of the Dow Jones Industrial Average over the sample period is approximately 36,299 points, with a standard deviation of about 4,028, indicating moderate fluctuations in stock market performance. Brent crude oil prices averaged around $87 per barrel, with the highest price recorded at $133.18 and the lowest at $70.31. The 10-year U.S. Treasury yield averaged 3.76%, reflecting general interest rate trends, with a range between 1.63% and 4.98%. The Economic Policy Uncertainty Index, which captures uncertainty in the policy environment, had a mean value of about 142 and showed a wide variation, reaching a maximum of 1026.38 and a minimum of 14.69, indicating that the period studied included both stable and turbulent policy periods.

5.1. Results of the Baseline ITS Model

To assess the impact of President Donald Trump's re-election on November 6, 2024 on Brent crude oil prices, we estimate an Interrupted Time Series (ITS) regression model using daily data and correcting for autocorrelation and heteroskedasticity with Newey-West standard errors with five lags to correct for potential autocorrelation and heteroskedasticity, which are common in financial time series. The sample includes 838 daily observations surrounding the election. The model includes a linear time trend, a level-shift dummy for the post-election period, a slope-change variable to capture trend dynamics after the intervention, and controls for economic uncertainty, equity performance, and bond yields. Table 2 presents results of the estimated ITS regression. The coefficient on the time trend ($\beta_1 = -0.00076$, $P < 0.001$) is statistically significant and negative, indicating that in the absence of the election, Brent crude oil prices exhibited a gradual downward trend over time. This suggests that oil market fundamentals such as concerns about global demand or supply-side expectations were driving a mild decline in prices prior to the U.S presidential election. The key variable of interest, post-election dummy, captures the immediate shift in log Brent prices following Trump's re-election on November 6, 2024. The coefficient is negative and statistically significant ($\beta_2 = -0.0525$, $P = 0.052$), indicating that Brent prices dropped by approximately 5.25% on average immediately after the Trump's re-election on November 6, 2024. This finding may reflect market concerns about Trump's energy policies (e.g., expanded U.S. production, reduced regulation), which could have increased expectations of future oil supply, putting downward pressure on prices. It may also reflect geopolitical risk re-pricing, as markets adjusted their expectations of international energy diplomacy under a second Trump administration.

The interaction term ($\beta_3 = 0.00076$, $P < 0.001$) captures the change in price trends post-election. The positive and statistically significant coefficient implies that following the initial decline, Brent prices began to recover at an increased rate compared to the pre-election period. Post-election day, Brent oil prices increased at a rate of approximately 0.076% per day. This pattern suggests that while the election result initially triggered a negative market reaction, traders and investors adjusted their expectations, leading to a reversal in the downward trend. This dynamic effect might suggest that, while markets reacted negatively at first (perhaps overreacting or due to initial uncertainty), they later adjusted expectations as new policy clarity emerged. In ITS terms, this represents a structural break in both level and trend.

Table 1: Summary statistics

Variable	Mean	Standard deviation	Minimum	Maximum
DJIA	36299.39	4028.19	28725.51	45014.04
Ln Brent oil price	87.15	12.84	70.31	133.18
U.S. 10-year treasury yield	3.76	0.74	1.63	4.98
EPU	141.55	97.59	14.69	1026.38

Source: Authors' calculation

Table 2: Estimated coefficients of the baseline ITS model and the placebo test

Variables	Ln (Brent oil price)	Ln (Brent oil price)
Time	−0.000763***	−0.000742***
	(0.000150)	(0.000142)
Post-election dummy	−0.0525*	
	(0.0271)	
Time_after_election	0.000760***	
	(0.000207)	
EPU	−5.28e−05	−4.78e−05
	(4.04e−05)	(4.06e−05)
DJIA	1.55e−05**	1.51e−05**
	(7.08e−06)	(6.95e−06)
U.S. 10-year treasury yield	0.0600**	0.0562**
	(0.0268)	(0.0255)
Placebo_post		−0.0479*
		(0.0260)
Placebo_time_after		0.000473***
		(0.000170)
Constant	3.998***	4.019***
	(0.276)	(0.268)
Observations	838	838

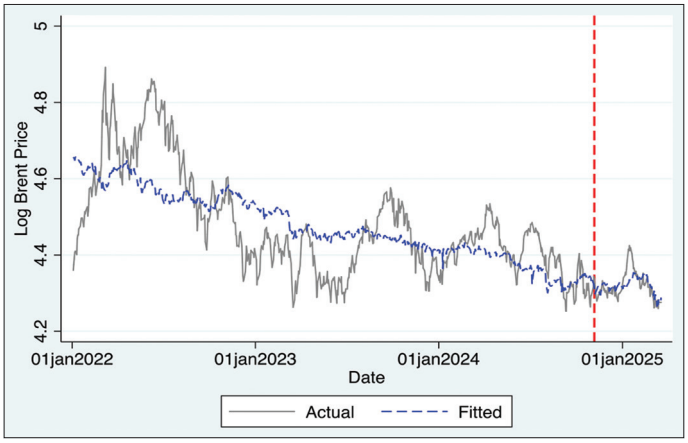
Standard errors in parentheses.***P<0.01, **P<0.05, *P<0.1

Figure 5 displays the actual and fitted values of the log Brent oil price over the study period and shows that the ITS model fits well the data.

Among the macroeconomic control variables, stock market performance as measured by the DJIA ($\beta_5 = 0.0000155$, $P = 0.029$) and bond yields, as measured by the 10-year U.S. Treasury yield ($\beta_6 = 0.0600$, $P = 0.025$) are both positively and significantly associated with Brent prices. This indicates that oil prices tend to increase alongside stronger equity markets and rising bond yields, consistent with expectations that higher growth prospects signal stronger economic activity and stimulate energy demand. However, policy uncertainty, measured by the EPU index ($\beta_4 = -0.0000528$, $P = 0.192$), though has a negative impact on oil prices, the effect is not statistically significant, suggesting that short-term fluctuations in economic uncertainty did not exert a direct influence on Brent prices during this period.

These findings suggest that Trump's re-election induced a temporary market shock, leading to a statistically significant considerable drop in oil prices. This highlights the sensitivity of

Figure 5: ITS break: Trump's 2024 reelection



Source: Constructed by authors

energy markets to major political events. However, the subsequent positive trend coefficient indicates that Brent prices rebounded in the days following the election, mitigating the initial impact. The significant role of macroeconomic factors-such as the stock market and interest rates-further underscores the interconnectedness of oil prices with broader financial conditions.

5.2. Robustness Check Results: Placebo Test

To ensure the robustness of our findings and verify that the observed effects in the main analysis are truly attributable to Donald Trump's 2024 re-election, we conduct a placebo test by shifting the treatment date to an earlier period (October 6, 2024), when no significant political event occurred. The purpose of this test is to examine whether a similar structural break emerges in the absence of the actual event, which would indicate that the estimated effect might be driven by other time-varying factors rather than the re-election itself.

The second column in Table 2 presents the regression results for the placebo test. The coefficient on the placebo post-election dummy ($\beta_2 = -0.0479$, P = 0.065) is negative, similar in sign and magnitude to the actual post-election coefficient in the main results ($\beta_2 = -0.0525$, P = 0.052). However, the statistical significance is weaker, with the placebo effect only being marginally significant at the 10% level, compared to the actual event, which was significant at the 5% level. This suggests that while there is some downward movement in Brent crude oil prices in the placebo period, it is not as strongly associated with a structural break as observed for Trump's re-election.

The placebo interaction effect ($\beta_3 = 0.00047$, P = 0.006), is also positive and statistically significant. This result mirrors the main results, where the actual post-election interaction term ($\beta_3 = 0.00076$, P < 0.001) was positive and highly significant. However, the magnitude of the placebo interaction effect is smaller, suggesting that while oil prices exhibited some natural fluctuation in the placebo period, the adjustment in trend was stronger and more sustained following Trump's re-election.

For the effect of the other the control variables, the coefficient of the EPU ($\beta_4 = -0.0000478$, P = 0.240) remains statistically insignificant, reinforcing the conclusion from the main regression that policy uncertainty did not exert a direct influence on oil prices in this period. The Dow Jones Industrial Average ($\beta_5 = 0.0000151$, P = 0.031) and the 10-Year Treasury Yield ($\beta_6 = 0.0562$, P = 0.028) remain positively and significantly correlated with Brent prices, further confirming that financial market conditions are important drivers of oil price movements.

When comparing the findings of the placebo test to our primary analysis, we can notice two key observations. First, the weaker statistical significance of the Placebo effect while the placebo post-election dummy is negative, its P-value is higher (0.065 vs. 0.052) than in the main results. This suggests that some natural price variation exists but does not fully explain the pronounced and immediate decline observed after Trump's re-election. Second, the coefficient for the placebo interaction term is positive but smaller (0.00047 vs. 0.00076 in the main results), suggesting that price recovery was less pronounced in the placebo period. The larger magnitude in the real election period implies that the market reacted more strongly to the actual event, adjusting expectations accordingly.

Overall, the placebo test provides evidence that the observed break in the main analysis is not a random occurrence. The fact that the effect size is smaller and less significant in the placebo period strengthens the case that Trump's re-election had a unique and measurable impact on Brent crude oil prices. The findings suggest that while Brent prices naturally fluctuate over time, the sharp decline and subsequent trend reversal observed in the actual post-election period are unlikely to be due to chance or unrelated market factors.

In conclusion, the placebo test confirms that our ITS model successfully captures a structural break in Brent crude oil prices linked to Trump's re-election. This reinforces the robustness of our main results, demonstrating that the event produced a significant short-term shock followed by a recovery in market expectations.

5.3. Robustness Check Results: Distributed Lag ITS Model

To further refine our understanding of how Trump's 2024 re-election influenced Brent crude oil prices, we extended the Interrupted Time Series (ITS) framework to a Distributed Lag ITS model, which allows us to measure the event's impact day-by-day over a 10-day post-election window. Unlike the previous models, which estimated an immediate level shift and a post-event trend adjustment, this specification accounts for potential delayed market reactions and possible nonlinearity in price adjustments following the event.

Table 3 presents the results of the Distributed Lag ITS model estimated using Newey-West standard errors. The primary focus is on the treatment dummies (treat_day0 to treat_day10), which capture Brent crude oil price deviations on each of the first 10 days following Trump's re-election.

On Election Day (treat_day 0), Brent prices decline by 2.59%. This suggests that the market was initially uncertain or

Table 3: Estimated coefficients of the distributed lag ITS model

Variables	Ln (Brent oil price)
Time	−0.000733***
	(0.000139)
Treat_ day 0	−0.0259*
	(0.0154)
Treat _day1	−0.0260**
	(0.0125)
Treat_ day 2	−0.0512***
	(0.0136)
Treat_ day 5	−0.0840***
	(0.0165)
Treat_ day 6	−0.0776***
	(0.0152)
Treat _ day 7	−0.0751***
	(0.0160)
Treat _ day 8	−0.0643***
	(0.0151)
Treat _ day 9	−0.0558***
	(0.0122)
EPU	−1.93e−05
	(3.32e−05)
DJIA	1.42e−05**
	(6.15e−06)
U.S. 10-year Treasury yield	0.0553**
	(0.0252)
Constant	4.044***
	(0.239)
Observations	838

Standard errors in parentheses: ***P<0.01, **P<0.05, *P<0.1

hesitant to immediately re-price oil in response to the election outcome. However, on the first full trading day after the election (treat_day 1), prices dropped by 2.6%. This implies that market participants processed the election results overnight, leading to a notable downward adjustment in oil prices on the following day. On day 2 (treat_day 2), the decline intensifies, with Brent prices dropped by 5.12%, the largest single-day decrease in the post-election period. This suggests that the market's full reaction to Trump's re-election took time to materialize, potentially reflecting investors' reassessment of future energy policies and geopolitical risks. Days 3 and 4 are omitted from the regression model due to multicollinearity, likely indicating that these periods were highly correlated with adjacent days, leading to their exclusion from the model. On day 5 (treat_day 5), oil prices experience another sharp drop of 8.4%, reinforcing the idea that the reaction to Trump's re-election was not immediate but spread-out over several days. The price decline remains statistically significant on days 6 through 9, with the magnitude of the decrease gradually reducing over time. By day 9, the decline stands at 5.5%, suggesting that the intensity of the market reaction diminishes. By day 10 (treat_day 10), the coefficient is omitted, likely because the effect stabilizes or is absorbed into the broader post-event trend.

As in previous models, the EPU Index remains statistically insignificant, confirming that policy uncertainty alone does not explain oil price movements in this period. The Dow Jones Industrial Average continues to show a positive correlation with Brent prices, suggesting that equity market sentiment and oil prices moved in a similar pattern during this period (for a review of the literature on the oil prices-stock market nexus, see Degiannakis et al., [2018]). The 10-Year Treasury Yield is also positively and significantly related to Brent crude, implying that rising interest rates coincided with higher oil prices, likely reflecting broader macroeconomic factors.

To sum up, the placebo test shows that a similar structural break did not appear in an alternate period, strengthening the argument that the post-election decline was genuinely linked to Trump's re-election. The Distributed Lag ITS model confirms that this price drop was not instantaneous but rather a series of downward adjustments over several days, with the largest declines occurring on days 2 and 5. This result is consistent with market behavior observed in past political shocks, where delayed responses often emerge as investors and firms reassess policy implications over time. These findings suggest that oil markets gradually absorbed and reacted to the political event, with the strongest reactions occurring in the days immediately following the election. This reinforces the validity of the main results while also highlighting the importance of allowing for dynamic price adjustments in response to political shocks.

6. DISCUSSION

The findings of this study provide new insights into the relationship between political leadership changes and global oil price dynamics, specifically examining the market response to Donald Trump's re-election in 2024. Using an Interrupted Time Series (ITS) model, the analysis reveals that Trump's re-election resulted in a significant but temporary decline in Brent crude oil prices, followed by a subsequent market correction. This pattern aligns with the broader literature on political uncertainty and commodity markets, demonstrating that oil prices respond dynamically to major political events.

The estimated 5.25% immediate decline in Brent crude oil prices after the election is consistent with existing studies on political uncertainty's impact on commodity prices (Baker et al., 2016; Albori et al., 2024) Prior research has shown that economic policy uncertainty can influence speculative trading, reduce investment in energy markets, and increase price volatility (Caldara and Iacoviello, 2022). The findings of this study suggest that market participants initially reacted negatively to Trump's re-election, likely due to concerns over potential shifts in energy policy, deregulation, and geopolitical tensions. This response is in line with previous studies that document the negative effect of increased political uncertainty on oil prices (Baker et al., 2016; Pástor and Veronesi, 2013; Albori et al., 2024).

Our results confirms that despite the initial drop, oil prices did not continue on a downward trajectory but instead rebounded, suggesting that traders and investors re-evaluated their expectations about supply-demand conditions and potential policy changes. This trend reversal is consistent with previous research indicating that financial markets tend to overreact to political shocks but subsequently stabilize as new information becomes available (Baumeister and Kilian, 2016).

The robustness checks conducted further strengthen the validity of the findings. The placebo test, which used a pre-election placebo

date, demonstrated that no similar structural break occurred when there was no major political event, indicating that the observed price movement was not random but rather a direct consequence of Trump's re-election. Similarly, the Distributed Lag ITS model highlights that the market response was not instantaneous but evolved over multiple days, peaking on the 2nd and 5th days after the election. This aligns with studies showing that market participants process political events in a gradual manner rather than reacting immediately (Bouoiyour and Selmi, 2016).

In comparison to previous studies, our findings contribute to the literature by emphasizing the importance of both immediate and lagged responses to political events. Unlike prior research that primarily focuses on elections as single-day events (Snowberg et al., 2007), the current study incorporates a dynamic perspective, recognizing that price adjustments can unfold over multiple days (Bouoiyour and Selmi, 2016). This gradual reaction is consistent with the idea that investors digest political developments over time, rather than reacting all at once. The results also align with prior research on the impact of policy uncertainty on commodity markets, reinforcing the notion that investor expectations play a crucial role in oil price determination. Studies by Kang and Ratti (2013) and Balcilar et al., (2017) show that rising economic policy uncertainty significantly increases oil price volatility and affects future returns, especially during periods of increased political tension. These findings suggest that both the timing and intensity of market reactions are shaped by expectations about political developments and their implications for future policy.

Overall, this study supports the view that political events, particularly U.S. presidential elections, introduce short-term volatility in global oil markets. However, the lack of a sustained decline suggests that while Trump's re-election initially triggered market uncertainty, broader macroeconomic factors such as stock market sentiment and bond yields continued to influence long-term oil price movements. These findings highlight the interrelated nature of oil prices, financial markets, and political risk, offering valuable implications for policymakers and investors navigating commodity price fluctuations in response to political leadership changes.

While this study provides valuable insights into the effect of Donald Trump's 2024 re-election on Brent crude oil prices, several limitations should be acknowledged. First, the analysis is based on a relatively short post-election observation window, which may not fully capture long-term market adjustments. Second, although the ITS approach with Newey-West standard errors helps control for autocorrelation and heteroskedasticity, it cannot rule out all potential confounding factors or unobserved shocks that might coincide with the election period. Third, this study focuses solely on Brent crude oil prices; extending the analysis to other global benchmarks or energy commodities may offer a more comprehensive view. Lastly, the assumption of a sharp break in the time series on the day of the election may overlook the possibility of gradual or anticipatory market responses, especially in highly speculative markets like oil.

The findings of this paper suggest that political leadership transitions-especially involving high-profile and controversial figures-can have an immediate and measurable impact on global energy markets. Policymakers and regulators should therefore closely monitor political events, as they can drive volatility in commodity prices that affect inflation, trade balances, and energy security. For countries highly dependent on oil revenues or imports, building flexibility into energy planning and fiscal policy could help reduce the effects of politically induced market swings. Moreover, the results highlight the need for transparent and predictable policy communication during election periods to reduce uncertainty and avoid destabilizing investor sentiment.

7. CONCLUSION

This study investigated the impact of Donald Trump's 2024 re-election on Brent crude oil prices using an ITS model with daily data and robust econometric techniques. The results provide evidence of a statistically significant immediate decline in oil prices following the election, along with a positive shift in the post-election trend. These findings suggest that markets initially reacted with caution or uncertainty, but gradually adjusted in the following days. Robustness checks, including a placebo test and a distributed lag specification, support the credibility of these results. Overall, the analysis underscores the sensitivity of global commodity markets to political developments and highlights the importance of incorporating political risk into energy and investment strategies.

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