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## RESEARCH ARTICLE OPEN ACCESS

# The Stock Market's Anticipation of the Trump 2024 Election: The Case of Sustainable Business Models

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## ABSTRACT

This study examines the impact of green revenues on US stock price reactions around Donald Trump's 2024 election win. Firms' green revenue share (GRS) is significantly associated with negative cumulative abnormal returns (CARs) post-election, exhibiting a nonlinear effect that intensifies at higher GRS levels. However, stock markets showed no anticipating revaluation of green business models during the weeks before the election. Instead, investors reacted sharply to two unanticipated key pre-election events, the Trump assassination attempt and Harris' candidacy announcement, highlighting sensitivity to anticipated shifts in green policy. Remarkably, the revaluation of green business models did not take place uniformly across the entire country. The state political environment moderates this effect, as green firms in Democratic states experienced more negative CARs than those in Republican states.

## 1 | Introduction

On the day of his inauguration as 47th president of the United States on January 20, 2025, Donald Trump immediately set his political agenda into motion by signing numerous executive orders. Among his first actions, he withdrew the United States from the Paris Climate Agreement and revoked executive orders of the previous Biden administration supporting clean energy industries and electric vehicle targets. In addition, he declared a national energy emergency to roll back environmental protection and accelerate oil, gas, and power projects, as well as imposed a ban on the construction of new offshore wind parks along the entire US East Coast (The White House 2025).<sup>1</sup>

In the run-up to the election, Trump campaigned on this policy turnaround, promoting oil and gas industries while halting the clean energy momentum and promised to continue the agenda he had initiated during his first term in office (BBC 2024b). His 2016 election was widely regarded as a political shock, with financial markets reacting strongly to the largely unexpected outcome. In particular, investors responded positively to brown,

carbon-intensive firms while expressing uncertainty over the future of green businesses (Pham et al. 2023; Ramelli et al. 2021b).

By contrast, the 2024 election presented a different dynamic. Polling data and betting markets indicated that a second Trump presidency was a probable outcome, and his policy stance on energy and environmental deregulation was well known (BBC 2024a; RealClear Polling 2024; The Economist 2024). Given this difference in expectations, the key question arises if and how financial markets still reacted to Trump's election win in 2024 and thus priced in the political change beforehand.

Trump's return to office in 2025 came amid deep political polarization in the United States. The divide between Republicans and Democrats had widened in recent years, and Trump had repeatedly signaled his willingness to pursue retributive actions against political opponents (CNN 2025). At the same time, Trump's pledge to repeal the Inflation Reduction Act (IRA) adds another layer of uncertainty. Although the IRA was designed to accelerate the green transition, the majority of its economic benefits, such as subsidies for renewable energy

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projects and electric vehicle production, flow to Republican-leaning states (Brookings Institution 2025). This raises questions about whether his administration's actions would disproportionately affect Democratic-leaning states and whether the state political environment influenced how financial markets reacted to Trump's victory, particularly with regard to green firms.

To address these questions, this study examines how firms' green revenues influenced stock price reactions to Trump's return to office. By analyzing these market responses, we aim to understand how investors priced the expected policy shift against green businesses and whether the political environment at the state level played a role. This provides critical insight into how financial markets evaluate the shifting landscape for sustainability-driven firms in a polarized political landscape.

We utilize green revenues,<sup>2</sup> which measure firms' revenue exposure to environmentally sustainable business models, as key explanatory variable to study the market reaction to the election outcome. This variable provides a value-driven perspective on firms' environmental strategies, reflecting the greenness of their business models rather than their corporate conduct. In the context of our study, assessing the impact of worsened market conditions for environmentally sustainable businesses, green revenues serve as the most suitable and novel measure compared to commonly used CO<sub>2</sub> variables or ESG scores.

Furthermore, this study adds novelty by extending the event study beyond the election itself and examining stock price reactions to two preceding key events: the Trump assassination attempt on July 13, 2024, and Kamala Harris' announcement on July 21, 2024, to run as the Democratic candidate. These events offer valuable opportunities to observe investor sentiment shifts as the likelihood of a Trump presidency fluctuated in an entirely unforeseen manner.

Our findings reveal that a firm's green revenue share (GRS) is significantly associated with negative stock price reactions following Trump's election win, highlighting a deteriorated market outlook for environmentally sustainable business models under his presidency. We find that US firms generating green revenues exhibit 2.3 percentage points lower cumulative abnormal returns (CARs) 10 days after the election than firms not engaging in any green activities. GRS exercises a nonlinear effect on CARs, where higher levels of green revenue exposure experience an amplified negative impact on market valuation. The political environment of the firms' home states moderates these effects, resulting in significantly larger negative returns for green firms in Democratic-leaning versus Republican-leaning states. A sectoral analysis of GRS reveals variation, with the most substantial effects observed for green revenues stemming from environmental support services, such as green financing and consulting, as well as energy equipment and generation.

After the two events preceding the election, investors of US firms rapidly incorporated the changing prospects of the election outcome. Following the Trump assassination attempt, which increased the perceived odds of him winning the election, investors heavily punished companies with high GRS. Conversely, Harris' announcement, sparking new momentum

for the Democratic Party, triggered short-lived positive returns to GRS.

Our study makes several key contributions to the literature. It is the first one to analyze market reactions to political events with green revenues as a key regressor, offering a novel perspective on how investors perceive environmentally sustainable business models in the context of shifting political and regulatory environments. By examining the renewed Trump election, which did not present the same unexpected shock as in 2016, this paper highlights how even anticipated events can still trigger strong market reactions, particularly for green businesses. Moreover, our study incorporates an analysis of two key events preceding the election, demonstrating how these sudden events affect stock prices as they influence the likelihood of the election's outcome. Finally, our study incorporates an analysis of the state political environment, revealing that investor reactions to green revenues are significantly shaped by whether firms are headquartered in Democratic-leaning or Republican-leaning states.

This research thus significantly extends the recent literature on event studies analyzing the impact of US election outcomes (e.g., Child et al. 2021; Hachenberg et al. 2017; Ramelli et al. 2021b), contributes to the broader findings on the impact of environmental sustainability on stock returns during political shifts (e.g., Mueller et al. 2023a; Mueller et al. 2023b; Pham et al. 2023; Ramelli et al. 2021a; Teurine et al. 2024), and adds to the emerging body of research on the impact of green revenues (e.g., Bassen et al. 2023; Klausmann et al. 2024).

Overall, this study presents a novel perspective on how political developments shape market dynamics, revealing the heightened vulnerability of green business models and the influence of firms' local political environment amid deep political polarization in the United States.

## 2 | Literature Review and Research Questions

### 2.1 | Stock Price Reactions to US Elections and Climate Policy Events

Previous papers have documented the influence of US presidential elections and corresponding policy changes on stock returns. The 2016 election of Donald Trump as US president was widely regarded as a political shock, as it was largely unexpected and presented a sharp contrast to previous policy. A study by Hachenberg et al. (2017) examines the impact of the 2016 surprise election outcome on banks' shareholders and bondholders. The authors find that, in anticipation of deregulation in the financial sector, US bank shareholders benefited from significantly positive abnormal stock returns, whereas debtholders experienced increases in CDS spreads, reflecting heightened credit risk.

Ramelli et al. (2021b) investigated the role of environmental sustainability, an area particularly affected by US policy changes, on stock returns during the 2016 and 2020 US elections. Using sustainability scores and emissions intensity as key regressors, the authors find that climate-friendly firms

with higher sustainability scores and climate-unfriendly firms with high emissions intensity both experienced significant positive stock returns after Trump's surprise election. The authors attribute this finding to the differing investment horizons of investor groups. Specifically, they demonstrate that short-term investors drive the pricing effect of emission-intensive firms, whereas long-term investors exercise buying pressure on climate-friendly firms in anticipation of an even stricter environmental regulation in a post-Trump era. Such boomerang in climate policy eventually occurred following the 2020 US election. Promising a renewed momentum in environmental efforts, Biden's election win triggered substantial value increases for climate-responsible stocks.

Similarly, Pham et al. (2023) analyzed the impact of major climate policy-related events on stock returns of US green firms included in the NASDAQ OMX Green Economy Index, a basket of companies focused on environmentally sustainable business models. The study finds significant positive stock reactions to favorable climate policy events, such as Biden's election confirmation, the Biden climate change bill, and the adoption of the Paris agreement in 2015. Conversely, unfavorable events, including Trump's election confirmation and the US withdrawal from the Paris agreement, are associated with insignificant negative return reactions.

Ahmed et al. (2025) provide the most recent evidence on US elections, analyzing the impact of the 2024 Trump victory on S&P 1500 stocks. The authors document significant positive CAPM-adjusted returns following the election. Given the more anticipated nature of Trump's 2024 victory, these adjusted returns are, however, lower in magnitude than those observed in 2016. Moreover, cross-sectional analyses show that small firms as well as firms in the manufacturing and energy industry exhibited the largest abnormal returns.

## 2.2 | Drivers and Stock Price Impact of Green Revenues

As LSEG's green revenues are a relatively novel measure of a firm's greenness, having been first introduced in 2015, the body of research utilizing this variable is scarce (LSEG 2024a). Recent studies have examined drivers of green revenue growth as well as its impact on stock returns across global markets.

To begin with, Klausmann et al. (2024) analyze the evolution of green revenues and present three key channels that drove its growth in the previous decade. The authors identify regulatory push and green innovation as the first two channels, reporting accelerated growth in green revenues following the Paris Climate Agreement, driven by European regulatory initiatives, as well as by US firms converting green patents into revenues. As a third channel, the authors identify institutional ownership and report that a larger share of institutional investors, particularly climate-responsible investors, before the Paris Agreement correlates with higher subsequent green revenues.

Bassen et al. (2023) investigate the pricing impact of green revenues in a global sample of firms with positive GRS from 2016

to 2020. The authors provide evidence of a green alpha and find that a portfolio of firms with higher GRS earns higher returns than a portfolio of firms with lower GRS. In a similar manner, Klausmann et al. (2024) examine the stock price impact of green revenues in a global sample from 2008 to 2022. The authors find no conclusive evidence of an overall green portfolio excess return but note that a US subsample and the post-Paris period from 2016 relate to a significant green alpha.

## 2.3 | Research Questions

The US presidential election outcome was expected to significantly alter the prospects of green businesses due to anticipated shifts in subsidies, regulatory frameworks, and public perception. The two key events preceding the election, that is, the Trump assassination attempt and Harris' announcement to run as Democratic candidate, offer additional opportunities to observe investor sentiment shifts as the likelihood of the election outcome fluctuated in an unforeseeable manner. Although the presidential race could in general be perceived as eventful, we focus on these two incidents as polling data reveal that they triggered the most significant shifts in winning odds (RealClear Polling 2024). Green revenues, as an indicator of a firm's exposure to environmentally sustainable business models, can be seen as particularly sensitive to the shift in US political power and associated policy. The election and preceding events hence serve as critical inflection points for investors to assess the future regulatory and economic environment for green businesses. Therefore, we aim to explore whether and how firms with higher green revenues experience differential stock returns during these events.

Research Question 1. *What is the impact of green revenues on stock returns around the election events?*

Firms' levels of green revenues vary and reflect different degrees of commitment to sustainability. Investors may perceive these levels differently in light of the anticipated policy changes following the election. Moderate levels of green revenues may strike a balance that signals both environmental commitment and exposure to conventional income streams, whereas very high or low levels could be associated with excessive focus or a lack of adaptability to policy shifts. Accordingly, we aim to determine whether the market reactions to green revenues follow a linear or nonlinear pattern.

Research Question 2. *Does the impact of green revenues on stock returns vary for different levels of green revenues?*

The United States is marked by significant political polarization, which shapes both policy implementation and its economic impacts. Introduced by President Biden in 2022, the IRA aims to boost clean energy investments and reduce emissions, with most of its funding benefiting Republican-leaning states (Brookings Institution 2025). This raises questions about whether a Trump administration would fully roll back the IRA, particularly in Republican-leaning states receiving substantial economic benefits from it. More generally speaking, the state-level political environment and alignment with the president's party and political views can significantly

influence firms through policy support, regulatory leniency, or subsidies. Given these dynamics, we explore whether a firm's state political environment shapes how investors value its green revenues during election events.

Research Question 3. *Does the state political environment affect the impact of green revenues on stock returns?*

Last, green revenues may not be perceived as homogeneous across industries such that firms within differing green sectors may experience distinct market reactions. Additionally, firms with varying levels of greenness, that is, intensity and extent of environmental impact, denoted by the green revenue tier, may exhibit differing responses. Hence, we aim to investigate how sectoral and tier differences affect the value of green revenues after the policy events.

Research Question 4. *Does the impact of green revenues on stock returns vary by their sector and tier?*

### 3 | Sample, Data, and Methodology

#### 3.1 | Sample and Data

Analogous to Ramelli et al. (2021b), our main sample consists of stocks listed in the Russell 3000 index, representing the 3000 largest US companies by market capitalization and 98% of the investable US stock universe (LSEG 2024b). We retrieve the most recent firm-level data on stock prices, accounting metrics, and green revenues from LSEG. We gratefully download daily risk-free rates and Fama–French three-factor premia for the United States from Kenneth French's webpage (French 2025).

#### 3.2 | Methodology

##### 3.2.1 | Stock Returns

The three events of interest are the attempted assassination of Donald Trump in Pennsylvania on Saturday, July 13, 2024; the announcement of Kamala Harris's candidacy for president, replacing Joe Biden, on Sunday, July 21, 2024; and the US presidential election on November 5, 2024. Since the first two events occurred on weekends, we assign the event dates ( $t=0$ ) to July 15 and July 22, respectively. For the US presidential election, as the result was called on the day following the election, we assign November 6, 2024, as  $t=0$ .

For each event, we derive and analyze raw returns as well as abnormal returns adjusted using the CAPM and the Fama–French three-factor model (FF3). We estimate CAPM beta  $\hat{\beta}_i$  and the FF3 factor loadings  $\hat{\beta}_{1,i}$ ,  $\hat{\beta}_{2,i}$ , and  $\hat{\beta}_{3,i}$  for each event by regressing daily stocks returns  $R_{i,t}$  in excess of the risk-free rate  $R_{f,t}$  on the respective research returns retrieved from Kenneth French's data library. We conduct the estimation over a 250-day estimation window spanning from  $t=-260$  to  $t=-11$ , considering only firms with a complete set of returns. Within our event windows, we then compute the daily expected returns along the following formulae:

$$\begin{aligned} \text{CAPM: } E[R_{i,t}] &= R_{f,t} + \hat{\alpha}_i + \hat{\beta}_i(R_{m,t} - R_{f,t}) \\ \text{FF3: } E[R_{i,t}] &= R_{f,t} + \hat{\alpha}_i + \hat{\beta}_{1,i}(R_{m,t} - R_{f,t}) + \hat{\beta}_{2,i}SMB_t + \hat{\beta}_{3,i}HML_t \end{aligned}$$

Last, we derive daily abnormal returns by subtracting expected returns from realized returns and calculate the CAR as the sum of daily abnormal returns over the specified window:

$$\begin{aligned} AR_{i,t} &= R_{i,t} - E[R_{i,t}] \\ \text{CAR}_{i,[t1:t2]} &= \sum_{k=t1}^{t2} AR_{i,t} \end{aligned}$$

In our main analyses, we utilize the FF3 model to adjust returns, as it accounts for the size and value factors that are particularly relevant in the context of our study. Given that the events under investigation likely affect firms differentially based on their size and valuation, with smaller and value-oriented firms potentially benefiting more from a Trump administration, adjusting for these factors allows for a more precise identification of abnormal returns. To ensure robustness, we additionally report results based on CAPM-adjusted and raw returns, which yield qualitatively similar findings.

##### 3.2.2 | Green Revenues

As key explanatory variable, we employ the GRS. This metric, provided by LSEG, denotes the share of total revenues generated from environmentally sustainable products and services. It is based on reported and estimated figures on green revenues within a classification system of 10 green sectors as well as 64 sub-sectors.<sup>3</sup> The data model covers over 19,000 firms in 49 countries, accounting for nearly 99% of global market capitalization, and identifies over 4000 firms with green revenues (LSEG 2024a).

The metric measures a firm's participation in business models within the green economy, that is, activities that aim to reduce and alleviate adverse environmental impacts. It therefore acts as forward-looking indicator of a firm's financial exposure to current and future sustainable revenue pools. As Klausmann et al. (2024) point out, green revenues offer novel information on sustainable conduct compared to widely used variables based on CO<sub>2</sub> emissions and environmental performance scores. Environmental scores primarily measure a firm's sustainable conduct, policies, and strategies, whereas CO<sub>2</sub>-related variables depict direct emissions of the firm's operations (Scope 1) as well as indirect emissions of its upstream value chain (Scope 2). Green revenues, however, measure the contribution to sustainability through products and services sold to consumers rather than business conduct or operations. Correspondingly, Klausmann et al. (2024) highlight that these sustainability metrics exhibit a low correlation, and green revenues thus offer additional information value. Accordingly, we find a low correlation coefficient of 0.18 between GRS and LSEG's environmental pillar score and 0.04 between GRS and total CO<sub>2</sub> intensity scaled by total revenue in our sample.

##### 3.2.3 | Control Variables

In line with related papers, we control for firm size (log of market capitalization), valuation (book-to-market ratio), profitability

(ROA), growth (1-year revenue growth rate), leverage (debt-to-total assets ratio), and industry fixed effects using the 25 GICS industry groups (Mueller et al. 2023a; Ramelli et al. 2021b). We winsorize all control variables except the log of market capitalization at the 1st and 99th percentiles. Thus, we use the following regression:

$$\text{CAR}_i = \gamma_0 + \gamma_1 \text{GRS}_i + \gamma_2 \text{logmcap}_i + \gamma_3 \text{BTM}_i + \gamma_4 \text{ROA}_i + \gamma_5 \text{revgrowth}_i + \gamma_6 \text{leverage}_i + \text{FE} + \varepsilon_i$$

### 3.2.4 | State Political Environment

We estimate the moderating effect of the state political environment with the variable state political direction spanning from 0 (i.e., *strongly Republican*) to 1 (i.e., *strongly Democratic*), taking reference from Di Guili and Kostovetsky (2014). Applying this measure on a US sample from 2003 through 2009, the authors find that firms headquartered in Democratic-leaning states relate to significantly higher ESG scores than those in Republican-leaning states.

Specifically, we construct the variable state political environment as a weighted average of three components. The first component comprises the popular vote result of the US presidential election 2024 and is constructed as a binary metric, coding states with a Democratic majority vote with 1 and states with a Republican majority vote with 0. The second component presents the state government and is constructed as a weighted average of Governor party affiliation (50%) as well as majority control of upper and lower state legislature chambers (25% each). We code the subcomponents 1 for Democratic Governors or house majority and 0 for Republican Governors or house majority. The third component depicts the Congress delegation and is constructed as an average of the Congressmen and Senators majority subcomponents. We code the subcomponents 1 if the majority of Congressmen or Senators from the respective state are Democrats and 0 if they are Republicans.

We match the state political environment with the firms' state of headquarters. We gather state-level presidential election results from the US National Archives, information on the Congress delegations from the House of Representatives and Senate, and state governmental data from the respective official state websites (U.S. House of Representatives 2024; U.S. National Archives and Records Administration 2024; U.S. Senate 2024).

### 3.3 | Descriptive Statistics

Descriptive statistics are displayed in Table 1. Our sample consists of 2397 firms with a full set of data on returns, control variables, and GRS. Out of the total, the equivalent of 24% (i.e., 573 firms) have a GRS greater than zero. The average GRS across all firms is 7%, whereas the 576 firms with GRS > 0 exhibit an average share of 29%. Two thousand two hundred ninety-six of our sample firms are headquartered in the United States, of which 1295 in mostly Democratic or neutral states (i.e., state political direction >= 0.5) and 1001 in mostly Republican states (i.e., state political direction < 0.5).

## 4 | Event Study Results

### 4.1 | Trump Assassination Attempt on July 13, 2024

We begin our analyses by investigating the stock price impact of green revenues after the Trump assassination attempt that occurred on Saturday, July 13, 2024, near Butler, Pennsylvania. To illustrate the effect of this event and the Harris candidacy announcement, we build four equal-weighted portfolios with differing GRS cutoffs and plot their FF3-adjusted CARs in Figure 1. The 10 trading days preceding the assassination attempt exhibit some volatility in GRS, with an initial downward trend followed by a strong upward movement. However, this upward momentum was abruptly interrupted by the incident. In the 5 trading days following the event, between July 15 and 19, portfolios restricted to nonzero GRS thresholds (i.e., GRS > 0, GRS > 20, and GRS > 50) display a clear downward trend. Notably, the portfolios show decreasing CARs as the GRS threshold increases.

Table 2 presents regression results analyzing the impact of GRS on FF3-adjusted returns following the assassination attempt. The results in Panel A indicate a pronounced negative effect of green revenues on adjusted returns after the event, with coefficients of GRS in Columns 1 through 3 being statistically highly significant. The economic impact of this effect is sizeable, as GRS' coefficient of -0.033 and a one-standard deviation increase in GRS of 20 percentage points relate to a 0.66 percentage point lower CAR relative to a median CAR [0,4] of 0.11%.

In Panel B, we test the existence of a nonlinear effect of GRS on returns and find evidence of such. In Columns 4 through 6, we add GRS squared to the regressions and observe statistically significant negative coefficients. The coefficient of GRS turns in sign and shows a moderately significant value of 0.05 in Column 6. The results suggest a nonlinear effect of GRS on adjusted returns in the days following the assassination attempt. We plot the relationship between GRS and CAR [0,4] in Figure 2 and find that investors most rewarded a moderate GRS level of 26% with an adjusted return of 0.46%, whereas GRS higher than 48% exhibit decreasing negative CARs. In Appendix S2, we retest this nonlinear effect using dummy variables for differing GRS levels and find supporting results.

Last, we test the moderating influence of the state political environment on the effect of GRS on adjusted returns. To facilitate interpretation, we employ the interaction of the variable state political direction with the dummy variable GRS > 0. In Panel C, we utilize GRS > 0 as a single explanatory variable and observe a statistically significant negative coefficient only in Column 1, consistent with the notion of a nonlinear effect of positive GRS in the subsequent days. Next, we include state political direction in Panel D and find a statistically significant negative interaction term in Columns 4 through 6, with the magnitude and significance of the coefficient increasing over the regarded timeframe. The results indicate that firms with green revenues located in Democratic-leaning states exhibit significantly lower CARs than otherwise similar firms headquartered in Republican-leaning states. Specifically, a firm with GRS > 0 located in California (state political

TABLE 1 | Descriptive statistics.

<b>Panel A: Accounting and green revenue statistics</b>								
Variable	N	Min	P25	Mean	Median	P75	Max	SD
Market cap (USD bn)	2397	0.02	0.69	22.52	2.56	9.07	3395.33	143.50
Book-to-market ratio	2397	1.91	22.90	56.54	45.13	80.07	259.72	44.98
Leverage ratio	2397	0.00	7.60	25.10	22.85	37.96	96.50	20.04
ROA	2397	-81.39	-0.36	0.71	2.33	6.57	27.33	13.52
Revenue growth	2397	-75.33	-4.96	9.26	4.54	14.65	296.32	40.20
Tax rate	1722	-130.48	15.16	19.85	21.41	25.46	190.77	31.38
Green revenue share	2397	0.00	0.00	6.95	0.00	0.00	100.00	19.85
Green revenue share (only firms with GRS > 0)	573	0.01	5.00	29.06	16.08	41.00	100.00	31.75

<b>Panel B: Fama-French three-factor-adjusted returns</b>								
Event	N	Min	P25	Mean	Median	P75	Max	SD
I: Trump assassination attempt (Saturday, July 13, 2024)								
July 15, 2024 [0,0]	2397	-17.98	-1.20	-0.02	-0.03	1.18	22.90	2.59
Cumulative 3-day [0,2]	2397	-27.74	-1.92	-0.03	0.29	2.32	26.44	4.62
Cumulative 5-day [0,4]	2397	-34.79	-2.30	-0.26	0.11	2.48	48.89	5.45
II: Harris candidacy announcement (Sunday, July 21, 2024)								
July 22, 2024 [0,0]	2397	-18.67	-0.93	0.02	0.13	1.03	14.33	2.16
Cumulative 3-day [0,2]	2397	-25.53	-1.79	-0.21	-0.13	1.41	22.49	3.61
Cumulative 5-day [0,4]	2397	-54.41	-2.41	0.11	0.31	2.82	47.13	5.85
Cumulative 10-day [0,9]	2397	-47.33	-3.74	0.53	0.99	5.24	95.84	9.13
Cumulative 15-day [0,14]	2397	-82.87	-5.33	0.41	0.90	6.36	195.64	12.68
III: US presidential election (Tuesday, November 5, 2024)								
November 6, 2024 [0,0]	2397	-65.56	-3.73	-0.90	-0.54	2.36	37.22	5.99
Cumulative 3-day [0,2]	2397	-79.14	-3.78	-0.74	-0.19	3.30	73.91	8.58
Cumulative 5-day [0,4]	2397	-85.07	-5.05	-0.92	-0.41	4.03	81.00	10.19
Cumulative 10-day [0,9]	2397	-85.08	-5.88	-0.90	-0.48	4.40	85.67	12.19
Cumulative 15-day [0,14]	2397	-150.02	-6.04	-0.31	0.11	5.11	227.05	14.50

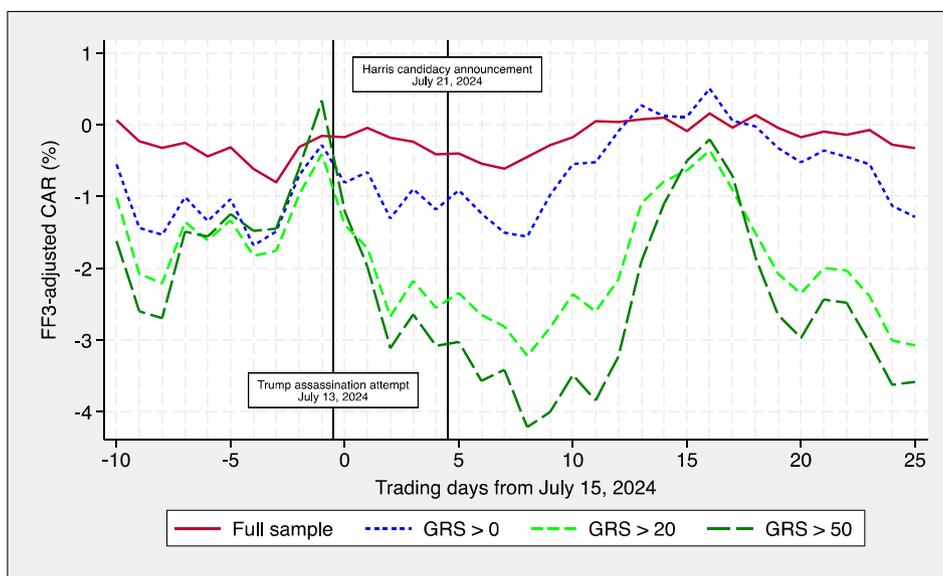
<b>Panel C: State political environment</b>						
State political direction	States	Full sample		GRS > 0		
		N	Mean GRS	N	Mean GRS	
0.00	AK, AL, AR, FL, IA, ID, IN, LA, MO, MS, MT, ND, NE, OH, OK, SC, SD, TN, TX, UT, WV, WY	666	6.08	172	23.53	
0.17	GA, KS, KY, NC	144	10.15	41	35.63	
0.25	WI	41	4.13	11	15.38	
0.33	AZ, PA	150	10.08	43	35.15	
0.50	MI, NV	70	6.16	16	26.97	
0.67	NH	7	15.05	4	26.35	

(Continues)

TABLE 1 | (Continued)

Panel C: State political environment					
State political direction	States	Full sample		GRS > 0	
		N	Mean GRS	N	Mean GRS
0.83	DC, ME, VA, VT	94	7.94	26	28.69
0.92	CO, MN	114	9.12	33	31.51
1.00	CA, CT, DE, HI, IL, MA, MD, NJ, NM, NY, OR, RI, WA	1010	6.63	207	32.36
Total	—	2296	7.06	553	29.31

Note: This table displays descriptive sample statistics. Panel A reports summary statistics on accounting controls and green revenue variables, Panel B reports summary statistics on Fama–French three-factor-adjusted returns around the event days, and Panel C reports statistics on the state political environment. Variable definitions are as follows: Market cap is the closing market capitalization as of July 1, 2024. Book-to-market ratio is defined as book value of equity divided by market capitalization × 100. Leverage ratio is defined as book value of total debt divided by book value of total assets × 100. ROA is defined as income before extraordinary items divided by book value of total assets × 100. Revenue growth is defined as period-on-period change in total revenue × 100. Tax rate is defined as income taxes divided by income before taxes × 100. Green revenue share (GRS) is the share of total firm revenues generated from environmentally sustainable products and services. We estimate Fama–French three-factor loadings for each event by regressing daily stock returns in excess of the risk-free rate on the respective research returns from Kenneth French’s data library from  $t = -260$  to  $t = -11$ . We derive daily Fama–French three-factor-adjusted returns by subtracting expected returns from realized returns and calculate the cumulative abnormal return as the sum of daily abnormal returns over the specified window. We also estimate raw returns and CAPM-adjusted returns and present the summary statistics in Appendix S1. The variable state political direction is defined as a weighted average of three components, each ranging from 0 (*strongly Republican*) to 1 (*strongly Democratic*): (i) the 2024 presidential election popular vote majority, (ii) the state government’s political composition, and (iii) the majority party in the state’s Congress delegation.



**FIGURE 1** | Development of GRS-portfolios around Trump assassination attempt and Harris candidacy announcement. This figure displays cumulative Fama–French three-factor-adjusted returns of equal-weighted portfolios formed by green revenue share (GRS) following the assassination attempt on Donald Trump (Saturday, July 13, 2024) and Kamala Harris’ announcement to run as presidential candidate (Sunday, July 21, 2024). The portfolios include all firms in the sample (2397 firms), firms with GRS larger than 0 (573 firms), firms with GRS larger than 20 (226 firms), and firms with GRS larger than 50 (126 firms). Returns start cumulating on July 15, 2024, the first trading day after the assassination attempt. Returns start cumulating on June 28, 2024, 10 trading days before assassination attempt (i.e.,  $t = 0$ ). Interpretation: This figure shows a negative investor reaction to green revenues following the Trump assassination attempt, with more pronounced declines in CAR for portfolios with higher GRS. In the first trading days after the Harris’ candidacy announcement, the green portfolios continued their downward trend. Starting  $t = 9$  (July 26), the green portfolios experienced a sharp rise in CAR peaking in  $t = 16$  (August 6), with the increase being more pronounced for greener portfolios. Subsequently, the GRS portfolios returned to pre-announcement levels by  $t = 20$  (August 12).

direction = 1) relates to approximately 1.7 percentage points lower CAR [0,4] than an identical firm headquartered in Texas (state political direction = 0). The insignificant stand-alone coefficient of state political direction suggests that the influence of the state environment on returns is restricted to green firms only.

The controls across all analyses indicate that smaller firms and firms with lower book-to-market ratios experienced higher abnormal returns following the event.<sup>4</sup> Whereas revenue growth shows no significant impact on returns, leverage appears to negatively relate to CAR [0,0] and ROA positively influences abnormal returns in the longer event windows.

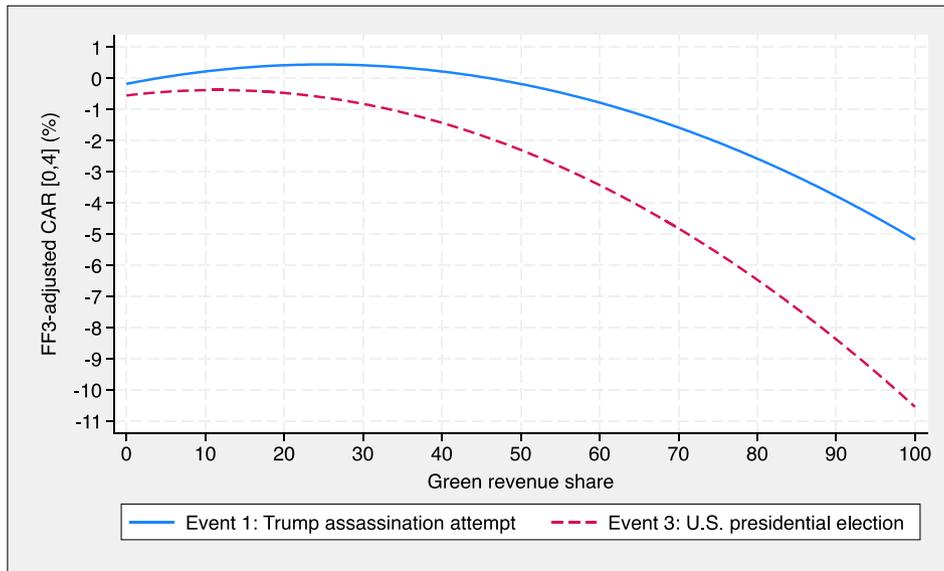
**TABLE 2** | Trump assassination attempt—impact of green revenues on stock returns.

<b>I: Trump assassination attempt (Saturday, July 13, 2024)</b>							
<b>Dep. var.</b>	<b>Fama–French three-factor-adjusted returns</b>						
	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	
	<b>July 15 [0,0]</b>	<b>3-day [0,2]</b>	<b>5-day [0,4]</b>	<b>July 15 [0,0]</b>	<b>3-day [0,2]</b>	<b>5-day [0,4]</b>	
	<b>Panel A</b>			<b>Panel B</b>			
Green revenue share	−0.018*** (−4.03)	−0.035*** (−5.04)	−0.033*** (−4.18)	0.017* (1.73)	0.031* (1.78)	0.049** (2.41)	
Green revenue share sq.				−0.000*** (−2.85)	−0.001*** (−3.36)	−0.001*** (−3.60)	
Log market cap	−0.184*** (−5.88)	−0.457*** (−7.68)	−0.246*** (−3.66)	−0.199*** (−6.28)	−0.486*** (−8.10)	−0.282*** (−4.15)	
Book-to-market ratio	−0.006*** (−3.95)	−0.012*** (−4.81)	−0.009*** (−2.71)	−0.006*** (−4.05)	−0.013*** (−4.93)	−0.009*** (−2.84)	
Leverage ratio	−0.011*** (−3.66)	−0.010* (−1.74)	−0.004 (−0.54)	−0.011*** (−3.69)	−0.010* (−1.77)	−0.004 (−0.57)	
ROA	−0.003 (−0.41)	0.050*** (4.11)	0.077*** (5.15)	−0.003 (−0.44)	0.050*** (4.10)	0.077*** (5.16)	
Revenue growth	0.003 (1.16)	−0.002 (−0.47)	−0.000 (−0.13)	0.003 (1.20)	−0.001 (−0.41)	−0.000 (−0.07)	
<i>N</i>	2397	2397	2397	2397	2397	2397	
Adj. <i>R</i> <sup>2</sup>	0.154	0.125	0.114	0.159	0.130	0.120	
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	
	<b>Panel C</b>			<b>Panel D</b>			
Green revenue share > 0		−0.390*** (−2.89)	−0.369 (−1.42)	−0.129 (−0.42)	−0.115 (−0.66)	0.343 (−0.96)	0.915** (−2.24)
State political direction				−0.075 (−0.56)	0.174 (−0.73)	0.283 (−0.99)	
Green revenue share > 0 * State political direction				−0.558** (−2.05)	−1.409*** (−2.77)	−2.021*** (−3.39)	
<i>N</i>		2397	2397	2397	2296	2296	2296
Adj. <i>R</i> <sup>2</sup>		0.142	0.107	0.102	0.142	0.114	0.107
Controls		Yes	Yes	Yes	Yes	Yes	Yes
Industry FE		Yes	Yes	Yes	Yes	Yes	Yes

*Note:* This table presents event study regression results analyzing the impact of green revenues on Fama–French three-factor-adjusted returns following the assassination attempt on Donald Trump on July 13, 2024. The regressions contain four-digit GICS industry-group fixed effects. Robust T-statistics are reported in parentheses. \**p* < 0.10, \*\**p* < 0.05, \*\*\**p* < 0.01. Interpretation: This table shows that the company's green revenue share (GRS) is significantly associated with negative adjusted returns following the Trump assassination attempt. GRS exercises a nonlinear effect on CARs, as its negative impact intensifies with increasing levels of GRS. The state political environment significantly moderates the impact of GRS, as green firms headquartered in Democratic-leaning states experience significantly lower CARs than comparable firms in Republican states.

In sum, we provide evidence that investors rapidly and extensively reacted to the shift in election odds following the Trump assassination attempt on July 13, 2024. Investors showed a nuanced relationship with green revenues, as they heavily punished companies with high GRS and they most rewarded

moderate GRS levels around 26%. In addition, we show that investors incorporated firms' headquarter location into their reactions, as green companies located in Democratic-leaning states exhibited significantly lower returns than firms headquartered in Republican-leaning states.



**FIGURE 2** | Marginal impact of green revenues on stock returns. This figure illustrates the predicted relationship between the green revenue share (GRS) and 5-day cumulative Fama–French three-factor-adjusted returns (CAR [0,4]) following the assassination attempt on Donald Trump (Saturday, July 13, 2024) and the US presidential election (Tuesday, November 5, 2024). Interpretation: This figure shows that GRS exercises a non-linear effect on CARs, as its negative impact intensifies with increasing levels of GRS.

#### 4.2 | Harris Candidacy Announcement on July 21, 2024

On Sunday, July 21, 2024, after mounting pressure on his campaign, US President Joe Biden announced that he would not seek reelection. Instead, he officially backed Vice President Kamala Harris as the Democratic candidate to challenge Donald Trump in the upcoming November election (Reuters 2024a). The change in candidate has sparked renewed momentum for the Democrats and tightened the race, with polls showing a surge in support for Harris and record campaign donations following her announcement (CNN 2024; Reuters 2024b).

To analyze investor reactions to this event, we begin by examining the portfolio CARs shown in Figure 1. During the first four trading days after the announcement, that is, from July 22 to 25 ( $t=5$  through  $t=8$  relative to July 15), the green portfolios continued their previous downward trend initiated after the Trump assassination attempt. Yet, starting on July 26, the green portfolios experienced a steep rise in CARs, peaking on August 6, that is, 12 trading days after the Harris announcement. The magnitude of this increase correlates with the level of portfolio greenness. However, the green upward momentum appears short-lived, particularly for the  $GRS > 20$  and  $GRS > 50$  portfolios, as they returned to their low pre-announcement levels by August 12.

Table 3 displays regression results that confirm these initial findings, indicating statistically weakly significant positive impacts of GRS only on CAR [0,9] (Panel A, Column 4). Panel B additionally includes GRS squared and, due to the insignificant coefficient in Column 9, indicates that the effect of GRS on CAR [0,9] is linear. Corresponding to the previous findings,  $GRS > 0$  in Panel C exhibits a statistically weakly significant coefficient only for CAR [0,0] (Column 1) and CAR [0,9] (Column 4). Panel

D shows that this weak positive impact of GRS on returns following the Harris announcement does not appear to be significantly moderated by the state political environment.

The control variables suggest that ROA and book-to-market ratio are consistently positively associated with abnormal returns, whereas revenue growth shows a negative relationship. Although size and leverage show a significantly negative influence on returns in the short event windows until  $t=4$ , the sign of the coefficient subsequently turns and indicates positive abnormal returns for larger and more strongly leveraged firms in the 15-day window.

Overall, we conclude that investors showed only a modest reaction to the change in Democratic presidential candidate. The strengthened Democratic momentum rewarded green firms with short-lived abnormal returns, which, however, did not persist 2 weeks after Harris' announcement to run for president.

#### 4.3 | US Presidential Election on November 5, 2024

In the months following Harris' nomination as the Democratic candidate, a tight race developed between her and Republican Donald Trump leading up to election day on November 5, 2024. While betting markets favored Trump as the more likely winner, polls showed Harris as the frontrunner for the presidency (BBC 2024a; RealClear Polling 2024; The Economist 2024). However, the election result was swift and decisive, with Trump securing a clear victory that was called the day after the election. Figure 3 illustrates the CARs for our four portfolios (i.e., all sample stocks,  $GRS > 0$ ,  $GRS > 20$ , and  $GRS > 50$ ). The relatively flat movement of the portfolios in  $t=-10$  to  $t=-1$  reflects the absence of a significant pre-election run-up

TABLE 3 | Harris candidacy announcement—impact of green revenues on stock returns.

II: Harris candidacy announcement (Sunday, July 21, 2024)

Dep. var.	Fama–French three-factor-adjusted returns									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	July 22 [0,0]	3-day [0,2]	5-day [0,4]	10-day [0,9]	15-day [0,14]	July 22 [0,0]	3-day [0,2]	5-day [0,4]	10-day [0,9]	15-day [0,14]
			Panel A					Panel B		
Green revenue share	-0.002 (-0.64)	0.001 (0.20)	-0.009 (-1.45)	0.017* (1.87)	-0.001 (-0.10)	0.024*** (3.39)	0.007 (0.63)	0.048** (2.54)	0.059* (1.80)	0.040 (0.87)
Green revenue share sq.						-0.000*** (-3.66)	-0.000 (-0.56)	-0.001*** (-2.91)	-0.000 (-1.33)	-0.000 (-0.92)
Log market cap	-0.115*** (-3.58)	-0.177*** (-3.64)	-0.255*** (-3.25)	0.073 (0.64)	0.682*** (4.43)	-0.126*** (-3.92)	-0.180*** (-3.71)	-0.280*** (-3.56)	0.054 (0.47)	0.664*** (4.24)
Book-to-market ratio	0.004*** (2.59)	0.005** (2.34)	0.005 (1.50)	0.012** (2.25)	0.018** (2.15)	0.003** (2.51)	0.005** (2.33)	0.005 (1.43)	0.012** (2.21)	0.017** (2.11)
Leverage ratio	-0.003 (-1.24)	-0.013*** (-2.74)	-0.006 (-0.84)	0.031*** (2.78)	0.045*** (2.86)	-0.004 (-1.27)	-0.013*** (-2.74)	-0.006 (-0.86)	0.031*** (2.78)	0.045*** (2.85)
ROA	0.027*** (4.72)	0.028*** (3.15)	0.066*** (4.72)	0.106*** (4.93)	0.119*** (3.72)	0.027*** (4.71)	0.028*** (3.14)	0.066*** (4.70)	0.106*** (4.91)	0.119*** (3.70)
Revenue growth	-0.005*** (-3.30)	-0.004 (-1.48)	-0.011** (-2.32)	-0.017*** (-2.93)	-0.017** (-2.32)	-0.005*** (-3.26)	-0.004 (-1.48)	-0.011** (-2.29)	-0.017*** (-2.91)	-0.017** (-2.30)
N	2397	2397	2397	2397	2397	2397	2397	2397	2397	2397
Adj. R <sup>2</sup>	0.101	0.105	0.057	0.112	0.070	0.105	0.105	0.060	0.113	0.070
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

TABLE 3 | (Continued)

	Panel C				Panel D					
Green revenue share > 0	0.205*	0.097	0.484	1.235**	0.636	0.187	0.170	0.858*	2.048**	1.689
	(1.80)	(0.53)	(1.54)	(2.24)	(0.76)	(1.30)	(0.67)	(1.87)	(2.40)	(1.27)
State political direction						-0.153	-0.103	-0.337	-0.061	-0.171
						(-1.18)	(-0.50)	(-1.04)	(-0.13)	(-0.24)
Green revenue share > 0 * State political direction						0.131	-0.058	-0.766	-1.448	-2.060
						(0.62)	(-0.17)	(-1.33)	(-1.53)	(-1.46)
N	2397	2397	2397	2397	2397	2296	2296	2296	2296	2296
Adj. R <sup>2</sup>	0.102	0.105	0.057	0.113	0.071	0.105	0.110	0.058	0.112	0.069
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Note: This table presents event study regression results analyzing the impact of green revenues on Fama-French three-factor-adjusted returns following Kamala Harris' announcement to run as presidential candidate on July 21, 2024. The regressions contain four-digit GICS industry-group fixed effects. Robust T-statistics are reported in parentheses. \* $p < 0.10$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$ . Interpretation: This table shows that the company green revenue share (GRS) is associated with a moderately significant positive impact on adjusted returns following the Harris candidacy announcement, specifically on CAR [0,9]. The effect of GRS on CAR [0,9] is linear and not significantly moderated by the firms' state political environment.

in CAR. Trump's decisive victory triggered a pronounced negative investor reaction towards green revenues at  $t=0$ . Although the portfolio with all sample stocks showed a mildly negative trend after the election, the green portfolios exhibited strongly negative CARs on November 6. The decline in value became larger with increasing portfolio greenness and reached its peak on November 12 ( $t=4$ ). In the days to follow, the portfolios showed a slight upward trend that, however, did not fully offset the initial losses in CAR until the end of the observation period.

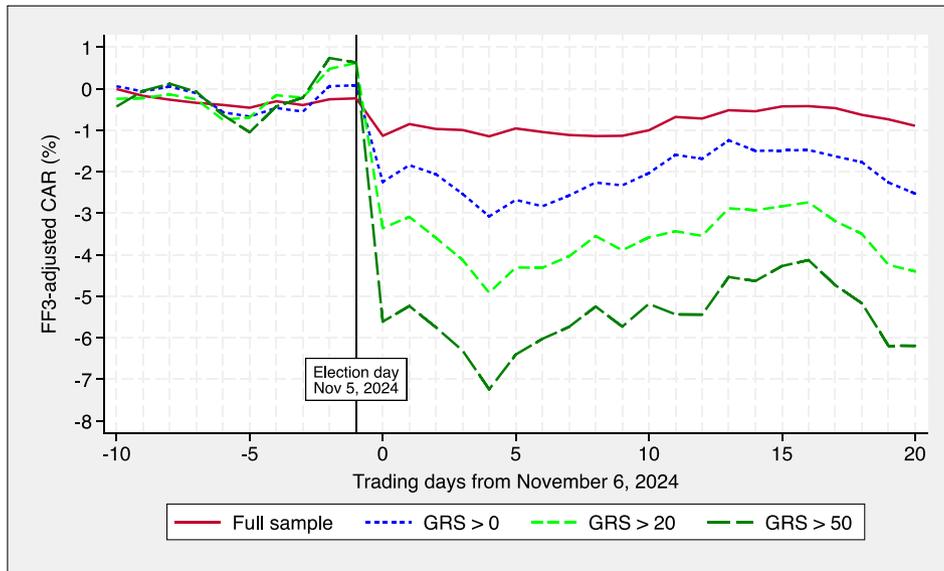
Table 4 presents the regression results analyzing the impact of GRS on FF3-adjusted returns after the election. Panel A underscores the negative impact of green revenues on firm value after Trump's election win, as the negative coefficients of GRS are statistically highly significant across all regarded CARs. In line with the visual evidence, the 5-day window after the election (i.e., CAR [0,4]) shows the strongest negative impact of green revenues on returns. Each percentage point increase in GRS corresponds to a 0.082 percentage point decrease in CAR [0,4], making the economic magnitude of this effect substantial.

In Panel B, we test the nonlinearity in this effect and find supporting evidence. The significant coefficient of GRS squared in Columns 6 through 8 indicates that the negative effect of GRS on firm value intensifies as GRS increases.

In Panels C and D, we examine the impact of firms' headquarter state political environment and find that investors, similar to their behavior after the Trump assassination attempt, significantly penalize green firms in Democratic states. The interaction between  $GRS > 0$  and state political direction yields statistically significant coefficients up until 5 days after the election (i.e., in Columns 6 through 8). All else equal, the regression coefficients of state political direction and the interaction term indicate that a green firm in a strongly Democratic state relates to a 3.0 percentage points lower CAR [0,4] than a comparable firm in a Republican state. In Figure 4, we plot the moderating effect of the state political environment, highlighting the increasing return difference between green and non-green firms as the political environment becomes more Democratic.

The control variables across all panels indicate that firms with lower book-to-market ratios consistently experienced significantly higher abnormal returns following Trump's election victory. Higher leverage ratios are associated with significantly lower abnormal returns up to 10 days following the election. Firm size has no significant impact on returns, except for on the event day. Whereas profitability (ROA) is positively associated with abnormal returns in the shorter event windows, revenue growth only appears to be positively related to CAR [0,4] and CAR [0,9].

Last, we address RQ4 and examine the impact of GRS tiers (i.e., varying intensity of green impact) and GRS sectors on returns after the election. LSEG allocates each green business activity within the green revenue model to one of three tiers based on its net environmental impact and contribution to objectives such as climate change mitigation or pollution and waste prevention. Tier 1 activities, like solar energy generation



**FIGURE 3** | Development of GRS-portfolios around US presidential election 2024. This figure displays cumulative Fama–French three-factor-adjusted returns of equal-weighted portfolios formed by green revenue share (GRS) following the election of Donald Trump as US president (Tuesday, November 5, 2024). The portfolios include all firms in the sample (2397 firms), firms with GRS larger than 0 (573 firms), firms with GRS larger than 20 (226 firms), and firms with GRS larger than 50 (126 firms). Returns start cumulating on October 23, 2024, 10 trading days before the election result was called (i.e.,  $t=0$ ). Interpretation: This figure shows a negative investor reaction to green revenues following the US election, with portfolios representing higher GRS experiencing more pronounced and lasting declines in CAR, bottoming out on  $t=4$  (November 12).

and power storage, provide “significant and clear environmental benefits.” In contrast, Tier 2 activities, such as green finance or ride-hailing, deliver “more limited but net positive environmental benefits”, whereas Tier 3 activities, including biofuels and the exploitation of key raw minerals, “have some environmental benefits but are overall net neutral or negative” (LSEG 2024a, 12).

Table 5 presents regression results and reveals that investors differentiate their reactions within the green revenue tiers and sectors. Panel A reports statistically significant coefficients for Tier 1 and Tier 2 green revenues, whereas Tier 3 green revenues show no significant effects. Additionally, the magnitude of the impact is significantly greater for Tier 1 green revenues compared to Tier 2. As a result, following the election, investors more strongly penalized firms the greener their business models were.

Panel B highlights pronounced sectoral differences in investor reactions. Although green revenues related to environmental support services<sup>5</sup> and energy, particularly energy equipment,<sup>6</sup> generation,<sup>7</sup> and management,<sup>8</sup> experienced the most substantial and statistically significant declines, other sectors, such as transport solutions, showed neutral or even short-lived positive stock price reactions. Notably, transport equipment, which includes electric vehicle sales, experienced only a modest and brief negative impact. We rerun this analysis excluding Tesla in Appendix S6 and find that Tesla’s large positive returns after the election, likely due to Elon Musk’s personal ties with Donald Trump, significantly skewed the sector’s performance. Excluding Tesla results in a statistically significant and sizable negative impact of transport equipment GRS on returns.

In sum, we show that investors reacted swiftly to Donald Trump’s election victory on November 5, 2024, with pronounced penalties for firms with higher GRS. This negative impact of GRS intensified with increasing GRS levels, and even moderate GRS levels experienced consistent declines. The political environment of firms’ headquarter states shaped investor responses, as green firms in Democratic-leaning states faced significantly greater value losses than those in Republican states. Analysis of green revenue tiers reveals that investors differentiated their reactions based on the intensity of green revenues, with Tier 1 revenues exhibiting the steepest declines in value. Green revenue sector analysis highlights sectoral differences and most substantial effects on returns for green revenues related to environmental support services as well as energy equipment and generation.

#### 4.4 | Robustness Checks and Supplementary Analyses

##### 4.4.1 | Alternative Return Models

First, we test our results for robustness by using differing return measures as dependent variables, that is, employing cumulative raw returns and CAPM-adjusted returns. We present the regressions for the three events in Appendices S3 through S5. The analyses after the Trump assassination attempt and the presidential election using raw and CAPM-adjusted returns yield highly similar results that are consistent with our findings and conclusions based on FF3-adjusted returns. Our key findings on the Harris candidacy announcement, that is, a positive, linear impact of GRS on CAR [0,9] without moderation of the state political environment, are supported by results using CAPM-adjusted returns. Additionally, this return measure provides

TABLE 4 | US presidential election—impact of green revenues on stock returns.

Fama–French three-factor-adjusted returns											
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
	Nov. 6 [0,0]	3-day [0,2]	5-day [0,4]	10-day [0,9]	15-day [0,14]	Nov. 6 [0,0]	3-day [0,2]	5-day [0,4]	10-day [0,9]	15-day [0,14]	
Dep. var.	Panel A					Panel B					
Green revenue share	-0.057*** (-5.10)	-0.074*** (-4.98)	-0.082*** (-5.08)	-0.077*** (-4.37)	-0.067*** (-3.88)	0.056** (2.13)	0.029 (0.83)	0.032 (0.80)	-0.007 (-0.15)	0.009 (0.21)	
Green revenue share sq.						-0.001*** (-3.56)	-0.001** (-2.48)	-0.001** (-2.50)	-0.001 (-1.53)	-0.001 (-1.64)	
Log market cap	-0.221*** (-3.15)	-0.021 (-0.21)	-0.108 (-0.92)	-0.221 (-1.46)	-0.197 (-1.05)	-0.270*** (-3.90)	-0.066 (-0.67)	-0.158 (-1.33)	-0.252 (-1.64)	-0.230 (-1.21)	
Book-to-market ratio	-0.013*** (-4.14)	-0.014*** (-2.75)	-0.026*** (-4.44)	-0.030*** (-3.97)	-0.036*** (-3.88)	-0.014*** (-4.33)	-0.014*** (-2.84)	-0.026*** (-4.52)	-0.030*** (-4.01)	-0.036*** (-3.90)	
Leverage ratio	-0.053*** (-8.03)	-0.030*** (-2.91)	-0.045*** (-3.70)	-0.028* (-1.82)	-0.022 (-1.36)	-0.053*** (-8.10)	-0.031*** (-2.94)	-0.045*** (-3.73)	-0.028* (-1.84)	-0.023 (-1.37)	
ROA	0.050*** (4.07)	0.064*** (3.19)	0.060** (2.39)	0.034 (1.08)	0.044 (1.06)	0.049*** (4.06)	0.064*** (3.17)	0.060** (2.36)	0.033 (1.06)	0.043 (1.05)	
Revenue growth	0.004 (1.30)	0.007 (1.55)	0.013* (1.78)	0.023*** (2.74)	0.016 (1.33)	0.004 (1.41)	0.008 (1.62)	0.013* (1.82)	0.023*** (2.77)	0.016 (1.35)	
N	2397	2397	2397	2397	2397	2397	2397	2397	2397	2397	
Adj. R <sup>2</sup>	0.226	0.105	0.136	0.112	0.073	0.236	0.108	0.139	0.113	0.073	
Industry FE	Yes										
	Panel C					Panel D					
Green revenue share > 0	-1.014*** (-3.03)	-1.815*** (-3.94)	-1.815*** (-3.94)	-2.037*** (-3.76)	-2.284*** (-3.55)	-1.914*** (-2.84)	0.038 (0.08)	-0.588 (-0.89)	-0.656 (-0.89)	-1.343 (-1.54)	-0.886 (-0.94)
State political direction							-0.347 (-1.18)	-0.263 (-0.54)	-0.225 (-0.39)	-0.406 (-0.59)	0.038 (0.05)

(Continues)

TABLE 4 | (Continued)

	Panel C			Panel D		
Green revenue share > 0 * State political direction						
N	2397	2397	2397	2397	2296	2296
Adj. R <sup>2</sup>	0.199	0.119	0.103	0.068	0.211	0.092
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes

Note: This table presents event study regression results analyzing the impact of green revenues on Fama-French three-factor-adjusted returns following the election of Donald Trump as US president on November 5, 2024. The regressions contain four-digit GICS industry-group fixed effects. Robust T-statistics are reported in parentheses. \* $p < 0.10$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$ . Interpretation: This table shows that the company green revenue share (GRS) is significantly associated with negative adjusted returns following the election of Donald Trump as US president. GRS exercises a non-linear effect on CARs, as its negative impact intensifies with increasing levels of GRS. The state political environment significantly moderates the impact of GRS, as green firms headquartered in Democratic-leaning states experience significantly lower CARs than comparable firms in Republican states.

evidence of a moderately significant positive impact of GRS on adjusted returns in shorter event windows. Although the results using raw returns confirm the positive impact of  $GRS > 0$  on returns, we also observe a weakly significant negative impact of GRS on CAR [0,14], which is not corroborated by other analyses. Overall, we determine that our key results and conclusions are robust to the use of returns in any of the three forms.

#### 4.4.2 | Alternative Industry Fixed Effects

To ensure robustness to the use of industry fixed effects, we re-estimate all core regressions employing alternative definitions of GICS industry classifications with varying levels of granularity. The results remain highly consistent across specifications.

#### 4.4.3 | Inclusion of Tax Rate

Ramelli et al. (2021b) find that, likely in anticipation of future tax reductions, firms with higher tax rates enjoyed positive abnormal returns following Trump's first election win in 2016. We did not include the tax rate as a control variable in our main analyses as it has limited data coverage and significantly restricts our sample size. As a further robustness test, we redo all regressions including the tax rate as an additional control variable. Repeating the analyses with tax rate included, however, yields quantitatively very similar results that support our previous conclusions.

#### 4.4.4 | Restriction to US Headquartered Firms

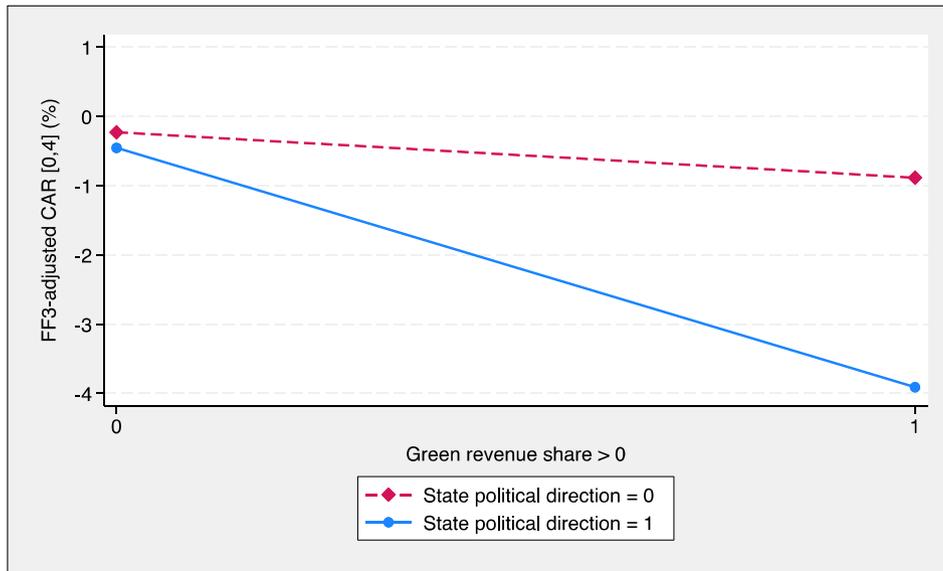
To ensure that our results are not confounded by trade-related policy implications of the Trump administration, we re-estimate our main regressions using only firms headquartered in the United States. This restriction addresses the concern that the 101 sample firms listed in, but headquartered outside the United States, may react differently to domestic political events due to varying exposure to trade policy, tariffs, or diplomatic relations. The results, which are not tabulated for brevity, remain both qualitatively and quantitatively similar to our baseline findings.

#### 4.4.5 | Restriction to Disclosed Green Revenues

As an additional test to exclude any estimation bias, we restrict our sample to firms with disclosed, as opposed to estimated, green revenues, reducing the number of firms in our sample to 1817. All regressions return highly similar results and indicate that our findings are robust to this restriction.

#### 4.4.6 | Green Index Membership

Pham et al. (2023) analyze the stock price impact of green index inclusion around climate policy events. To provide additional robustness to our analyses beyond the green revenue measure, we proceed in a similar manner and employ green index membership as an explanatory variable. Specifically, we estimate the pricing impact of firms' inclusion in the Russell 1000 TPI



**FIGURE 4** | Interaction between state political environment and green revenues. This figure illustrates the moderating effect of the state political environment on the relationship between the green revenue share (GRS) and 5-day cumulative Fama–French three-factor-adjusted returns (CAR [0,4]) following the US presidential election (Tuesday, November 5, 2024). State political direction is a continuous variable spanning from 0 (i.e., *strongly Republican*) to 1 (i.e., *strongly Democratic*). Green revenue share > 0 is a dummy variable coded one if a firm exhibits green revenues. Interpretation: This figure shows that firms with green revenues headquartered in Democratic-leaning states exhibited significantly lower adjusted returns than otherwise similar firms headquartered in Republican-leaning states following the US presidential election.

Climate Transition Index.<sup>9</sup> This index extends beyond green revenues by incorporating fossil fuel and carbon emissions, climate governance activities, and carbon reduction commitments (LSEG 2025). We present regression results in Appendix S7 and find that green index inclusion relates to significantly negative abnormal returns following the election, providing additional robustness to our main findings.

#### 4.4.7 | Inclusion of Emissions and ESG Variables

Our primary explanatory variable, green revenue, captures firm-level exposure to environmentally sustainable business opportunities and is therefore particularly well suited to assess policy shifts related to funding and the outlook of green business models. Nevertheless, we recognize the relevance of more established measures such as carbon emissions and ESG ratings. These measures are commonly used in the literature and may reflect different aspects of a firm’s environmental profile. To ensure robustness and comparability, we therefore include total CO<sub>2</sub> emissions intensity (i.e., Scope 1 and 2 emissions relative to revenue<sup>10</sup>) and the environmental pillar score from LSEG as two widely adopted alternatives in our analysis. As shown in Appendix S8, our main findings on the relationship between green revenues and stock market reactions remain unchanged after the inclusion of these additional measures.

#### 4.4.8 | Inclusion of Change in GRS

To further extend our analysis, we additionally test the impact of GRS growth dynamics. Although in our main regressions we employ GRS as a static measure, we recognize that

green revenue exposure can evolve over time. Therefore, we investigate whether year-over-year changes in GRS (i.e., GRS growth),<sup>11</sup> rather than its levels alone, are associated with abnormal returns around the election. Appendix S9 presents the key findings, showing a positive and statistically significant relationship between GRS growth and abnormal returns across all windows. In contrast, the level of GRS continues to be negatively associated with returns, consistent with our main findings. This finding indicates that, although the market may penalize firms’ current green revenue exposure, it appears to reward firms with increasing GRS, possibly interpreting such changes in GRS as signals of adaptability.

#### 4.4.9 | Inclusion of State-Level Green Investments

In our analysis on the moderating effect of the state political environment, we argue that green firms in Republican-leaning states exhibit less negative abnormal returns due to a closer political alignment with the Trump administration. However, one could reason that our findings may instead reflect differences in state-level exposure to green industries and related funding, rather than the political environment per se. To alleviate this concern, we incorporate a measure of state-level green investments as an additional variable. Specifically, we retrieve clean investment, that is, investment in climate technologies, by state in 2024 as a share of state GDP from Clean Investment Monitor (2025).<sup>12</sup> In Appendix S10, we apply this measure in two ways. In Panel A, we include clean investment to GDP as an additional control variable and find that the main results remain robust to its inclusion. In Panel B, we test the interaction between GRS > 0 and clean investment to GDP and find no conclusive evidence of a significant effect. Taken together, these

TABLE 5 | US presidential election—impact of green revenue tiers and sectors on stock returns.

III: U.S. presidential election (Tuesday, November 5, 2024)

Dep. var.	Fama–French three-factor-adjusted returns									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Nov. 6 [0,0]	3-day [0,2]	5-day [0,4]	10-day [0,9]	15-day [0,14]	Nov. 6 [0,0]	3-day [0,2]	5-day [0,4]	10-day [0,9]	15-day [0,14]
	Panel A					Panel B				
GRS Tier 1	-0.073*** (-4.13)	-0.093*** (-4.25)	-0.094*** (-4.17)	-0.083*** (-3.45)	-0.077*** (-3.50)					
GRS Tier 2	-0.034** (-2.48)	-0.052*** (-2.79)	-0.075*** (-3.16)	-0.067*** (-2.87)	-0.053** (-2.19)					
GRS Tier 3	-0.039 (-1.15)	-0.003 (-0.06)	0.003 (0.06)	-0.068 (-1.41)	-0.037 (-0.79)					
GRS energy generation						-0.146*** (-2.91)	-0.154** (-2.33)	-0.177*** (-2.63)	-0.101 (-1.43)	-0.110 (-1.61)
GRS energy management						-0.047*** (-4.24)	-0.049*** (-3.24)	-0.062*** (-3.58)	-0.062** (-2.35)	-0.057** (-2.30)
GRS energy equipment						-0.226*** (-4.37)	-0.260*** (-4.06)	-0.281*** (-4.14)	-0.219*** (-4.01)	-0.149*** (-2.78)
GRS environ. resources						0.025 (1.18)	0.023 (1.08)	0.041* (1.75)	0.015 (0.64)	0.039* (1.77)
GRS env. supp. services						-0.177* (-1.87)	-0.368*** (-3.16)	-0.412*** (-3.63)	-0.530*** (-4.98)	-0.488*** (-4.91)
GRS food and agriculture						-0.059 (-1.11)	-0.027 (-0.39)	-0.044 (-0.50)	-0.030 (-0.45)	-0.006 (-0.09)
GRS transport equipment						-0.067* (-1.79)	-0.081 (-1.49)	-0.058 (-1.11)	-0.067 (-0.97)	-0.098 (-1.35)
GRS transport solutions						0.051** (2.09)	0.020 (1.00)	0.006 (0.21)	0.024 (0.56)	0.111* (1.70)

(Continues)



analyses support the argument that state-level differences in returns are driven by the political environment and not green investment exposure.

#### 4.4.10 | Inclusion of Political Donations

The 2024 election was characterized by publicly visible political endorsements and donations by prominent business leaders, possibly influencing investor reaction and stock returns. In line with this, Babenko et al. (2020) show that CEO political contributions can significantly affect stock performance around federal elections. To account for this potential confounding factor, we follow the approach of Babenko et al. (2020) and gather CEO-level political donation data from the Federal Election Commission. Specifically, we create two binary indicators coded one if a CEO donated to Republican or Democratic campaigns during the 2023–24 election cycle, respectively.<sup>13</sup> Our analysis shown in Appendix S11 reveals that Republican CEO donations are associated with positive abnormal returns, whereas Democratic CEO donations relate to negative abnormal returns. Importantly, the effect of GRS on stock returns remains unchanged when controlling for these political affiliations.

## 5 | Conclusion

This study investigates the market reaction to political developments surrounding Donald Trump's 2024 presidential election victory, examining the impact of green revenues on stock price performance. Our findings demonstrate that US firms with higher GRS experience significantly negative cumulative abnormal returns following Trump's return to office, reflecting pronounced investor concerns about the prospects of environmentally sustainable business models that were not priced in by the market beforehand. We document a nonlinear relationship between GRS and CARs that underscores the disproportionately larger impact on firms with higher green revenue exposure. In addition, we demonstrate that investors differentiate the outlook of green firms based on the political environment of their headquarter location, with those in Democratic-leaning states experiencing significantly larger negative returns than their counterparts in Republican-leaning states. Lastly, the analysis of two unanticipated pre-election events, that is, the Trump assassination attempt and Kamala Harris' candidacy announcement, reveals that shifts in the perceived likelihood of Trump's presidency were promptly priced in by investors.

Our work makes several important contributions to the literature. To begin with, it introduces the GRS as a novel measure of firms' financial exposure to environmentally sustainable business activities, providing a value-driven view to assess market responses. Second, it analyzes the 2024 US presidential election as a decisive policy event, including critical lead-up events, and thus offers a comprehensive perspective on how political developments with varying degrees of prior anticipation provoke strong market reactions. Finally, this study documents the role of political polarization, revealing that investor reactions to green revenues are influenced by whether firms are headquartered in Democratic- or Republican-leaning states and thus politically aligned with the election winner.

The implications of our findings are multifaceted. They underscore the heightened policy risk faced by environmentally sustainable businesses and show that investors account for local political dynamics and the risk of political retribution when assessing green firms' financial prospects. For policymakers, our results emphasize the importance of regulatory stability for fostering sustainable business models over the long term. Meanwhile, corporate leaders must navigate investor sensitivity to regulatory shifts and the alignment of their business model and state environment with the party in power.

In sum, this study provides new evidence on how political developments shape investor perceptions of green business models, revealing their heightened vulnerability to policy shifts amid political polarization.

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#### Endnotes

- <sup>1</sup> Executive orders dated January 20, 2025: “Putting America First in International Environmental Agreements”, “Initial Rescissions of Harmful Executive Orders and Actions,” “Declaring a National Energy Emergency,” and “Temporary Withdrawal of All Areas on the Outer Continental Shelf from Offshore Wind Leasing and Review of the Federal Government's Leasing and Permitting Practices for Wind Projects.”
- <sup>2</sup> The green revenue metric provided by LSEG denotes total revenues generated from environmentally sustainable products and services. It is based on reported and estimated figures on green revenues within a classification system of 10 green sectors as well as 64 subsectors (LSEG 2024a).
- <sup>3</sup> The 10 green sectors are energy generation, energy management and efficiency, energy equipment, environmental resources, environmental support services, food and agriculture, transport equipment, transport solutions, water infrastructure and technology, and waste and pollution control.
- <sup>4</sup> The negative coefficient of the book-to-market ratio seems unexpected, as value firms (i.e., those with a high book-to-market ratio) were anticipated to gain from a Trump administration. However, *t*-tests indicate that value firms experience greater abnormal returns compared to growth firms. This outcome implies that other factors, such as firm size or additional covariates, may play a role in shaping the link between valuation and returns.
- <sup>5</sup> Environmental support services comprise Tier 2 activities related to environmental consulting, green finance and investment, and smart city design and engineering.
- <sup>6</sup> Energy equipment comprises activities related to the development, processing, production, and distribution of equipment for renewable and alternative energy generation.
- <sup>7</sup> Energy generation comprises activities related to the generation of energy from renewable and alternative sources.
- <sup>8</sup> Energy management comprises activities related to products and services designed to improve the efficiency of energy use and management (e.g., power storage, smart grids, and resource-efficient buildings).
- <sup>9</sup> Five hundred fifty-six out of 2397 sample firms are included in this index, with index inclusion and green revenue share > 0 exhibiting a moderately positive correlation of 0.18.
- <sup>10</sup> We winsorize the revenue-scaled Scope 1 and 2 emission intensity at the 2.5th and 97.5th percentiles.

- <sup>11</sup> The mean (median) value of GRS growth is 0.05 (0.00). Eighty-nine (114) out of 2271 values of GRS growth are smaller (larger) than 0.
- <sup>12</sup> The clean investment to GDP variable ranges from 0.09 (Alaska) to 2.85 (Nevada), with a mean value of 0.92. It shows a correlation coefficient of  $-0.32$  with state political direction, suggesting that, relative to GDP, clean energy investment is higher in Republican-leaning states.
- <sup>13</sup> We gather CEO donations records for 528 out of 2397 sample firms, with 328 (338) CEOs donating to Democratic (Republican) campaigns in the 2023–2024 election cycle.

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## Supporting Information

Additional supporting information can be found online in the Supporting Information section.