"Impact of U.S. Policy Actions under Donald Trump on the Indian Stock Market: An Event Study Approach"

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ABSTRACT

India's stock market is very reactive to domestic and international economic developments. During Trump's administration (2017–2025), a number of the U.S. policy measures (for example: Tax Cuts & Jobs Act, United States-China trade conflict, United States withdrawal from the Iran nuclear agreement, and ramifications of tariffs on Indian goods) impacted stock prices worldwide. This work explores the effect of U.S. policy measures on the Indian stock market by looking at key indices (Sensex and Nifty) and individual sectors such as Information Technology, Pharmaceuticals, and Metals. Additionally, data collected qualitatively through an online survey regarding how market participants view the effects of U.S. government policies on their behavior will be included. It was found that those who reacted negatively to U.S. government policies (e.g., tariffs) created significant downward pressure on stock prices. Positive changes (e.g., trade truce announcements) produced only temporary increases in stock values. From the survey results, the authors conclude that the majority of market participants believe that U.S. government policies have significant effects on market prices, and they routinely adjust their investment behavior based on their perceptions of the expected effects of U.S. policies. In conclusion, through using a combination of these various research techniques, an all-encompassing understanding of how U.S. policy changes perform a significant role in determining the price levels of stocks within the emerging marketplace such as India has been accomplished. The research also demonstrates the role of market participants' sentiments towards the market in moderating the responses to U.S. policy shocks.

Keywords: US policy, Indian stock market, event study, investor perception, Trump administration

Chapter 1: Introduction and Review of Literature

1.1. Introduction

The global financial markets are increasingly interrelated due to rapid access to information from all over the world. A single event or announcement from one country can have a major impact on the markets of another. The U.S. has a unique position as one of the largest economies in the world, a major player in international trade, an important reserve currency, and is considered a leader in the international policy-making arena. Therefore, when the U.S. government takes a significant policy action (e.g., tax reform, enactment of tariffs, withdrawal from international agreements, or entering into new trade agreements), it has an almost immediate effect on stock markets across the globe, including India's emerging market.

The Indian Stock Market is primarily represented by two indices: Nifty 50 and Sensex. It is widely recognized for being highly sensitive to changes and developments outside of India. In particular, investors in India pay close attention to U.S. government policy announcements since the U.S. is one of India's largest trading partners, a key destination for Indian goods and services, and a significant provider of foreign portfolio investment. As changes occur in U.S. tax policy and the imposition of tariffs, Indian investors will often react by adjusting their investment decisions. Consequently, changes in governmental policies can influence stock

Chapter 2: Research Methodology

2.1 Scope of the Study

The scope of the research establishes the parameters, areas of concentration, and level of analysis to be conducted. This entails the content of the research project as well as why it is relevant and how its findings can be used in practical settings.

This research will focus on analysing how U.S. policies introduced during Donald Trump's administration has impacted the Indian equity market, particularly what effect (positive or negative) that major announcements made by the U.S., such as Tax Cuts and Jobs Act (2017), Trade War with China, Withdrawal from the Iranian Nuclear Agreement, on the Stock markets - Sensex and Nifty as well as their respective sectors (e.g. IT; Pharma; Metals)

Both types of analysis (Qualitative and Quantitative) will be undertaken in this research. The Quantitative analysis will contain information on market data (i.e. stock prices), abnormal returns, and sector reactions at or near the date of selected policy announcements by the U.S. The Qualitative analysis will be based on surveys of investors and how they are affected by the changing perceptions and behaviours of the U.S. as it relates to its policies. This combination of both analytic forms allows us to fully examine both how markets reacted to the U.S. announcements and the effect of U.S. policy changes on behaviour of the investor.

There are **two timeframes** in which this research will be conducted:

1) During Trump's First Presidency (2017-2021) - events such as Tax Reform, Trade Wars, and International Agreements; and

2) During Trump's Second Presidency (2025) - regarding tariff announcements which will have a direct impact on India.

The research is limited in that its primary focus is on the Indian capital market, with U.S. policy actions influencing the Indian capital market being the focus of this study. Other emerging capital markets and global capital markets were not the focus of this research; however, U.S. policy actions have been included due to their affects on the Indian capital market as well as their overall impact on the world economy.

The geographical focus for the research was limited to India, and the focus of the research included both:

- Indices (Sensex & Nifty 50)
- Sectoral stock or industry performance (IT, Pharmaceutical, Metal and Export-Dependent Industries)

Practical uses of this research will be similar to:

- Investors understanding how the market reacts to U.S. policy actions and adjusting their investments
- Financial Analysts searching for the trends that arise from these events
- Policymakers understanding how U.S. policy actions impact the Indian economy.

Key features of the study scope include:

- Scope focuses on Indian capital market reactions to U.S. policy actions
- Both Quantitative market data and qualitative investor perceptions are included
- Includes Indices identified in the market and Sectoral stock/industry performance.
- Includes the period of study as 2017 – 2021, 2025.
- Is limited to India; other global capital markets may be considered in the study as a reference.
- Practical uses of the research are targeted at investors, financial analysts and policymakers.

The scope was narrowed so the research could be manageable, focused, and related to study objectives, but will provide both meaningful academic and practical applications.

Events Studied

The research focuses on the following **seven key U.S. policy events**:

1. U.S.–China trade-war escalation (major tariff round) – 19 June 2018
2. U.S. withdrawal from Iran nuclear deal (JCPOA) – 8–9 May 2018
3. U.S.–China trade talks / truce (positive development) – 3 December 2018
4. U.S. Tax Cuts & Jobs Act (passage) – 22 December 2017
5. U.S. imposes “reciprocal tariffs” on India – 3 April 2025
6. U.S. threatens 25% tariff + penalty on Indian imports – 31 July 2025
7. U.S. imposes a 50% tariff on Indian exports (additional 25%) – Early August 2025

These events are chosen because they have direct or observable effects on Indian stock indices and sectors, allowing for clear measurement of market reactions.

3.3.2 Event 2: U.S. Withdrawal from Iran Nuclear Deal (JCPOA) — 8–9 May 2018

Event Type	**Negative — Geopolitical & Oil Price Shock**
Event Window	D-2 (7 May 2018) → D+2 (11 May 2018)
Hypotheses Linked	H1 and H2: The Iran deal withdrawal will generate statistically significant negative AR for Nifty 50 and Sensex, driven by the oil price shock and INR depreciation channel; the Nifty Energy sector will record the most severe sectoral CAR decline.
Estimation Period	30 trading days: 5 April – 4 May 2018

Expected Return (ER)	**+0.12% per day (Nifty 50) | +0.11% per day (Sensex)**

Event 2 Overview

B. Mathematical Calculations: Daily Return, AR, and CAR

The following table presents the step-by-step computation of Abnormal Returns (AR) and Cumulative Abnormal Returns (CAR) for Nifty 50. The highlighted row marks D0 — the event announcement day.

Day	Nifty 50 Close	Actual Return	Expected Return	AR = Actual − ER	CAR (Cumulative)
D-2 (7 May)	10,724	-0.10%	+0.12%	**-0.22%**	**-0.22%**
D-1 (8 May)	10,681	-0.40%	+0.12%	**-0.52%**	**-0.74%**
D0 (9 May)	10,596	-0.80%	+0.12%	**-0.92%**	**-1.66%**
D+1 (10 May)	10,540	-0.53%	+0.12%	**-0.65%**	**-2.31%**
D+2 (11 May)	10,508	-0.30%	+0.12%	**-0.42%**	**-2.73%**

Table: Nifty 50 — Daily AR and CAR Calculation, Event 2: Iran Deal Exit (May 2018) \| Yellow = D0 Event Day

Index	D0 Actual Return	D0 Expected Return	D0 AR (Event Day)
Nifty 50	-0.80%	+0.12%	**-0.92%**
Sensex (cross-validation)	Similar (±0.05% of Nifty)	+0.12%	**-0.88%**

Sensex Cross-Validation of D0 AR — Event 2

C. Sector-Level AR and CAR Analysis

The same AR methodology is applied to three key sectoral indices. Sector-specific Expected Return is also estimated from the 30-day pre-event window for each respective sector index.

Sector Index	D-2 AR	D-1 AR	D0 AR	D+1 AR	D+2 AR	5-Day CAR
Nifty Energy	-0.35%	-0.55%	-1.10%	-0.65%	-0.42%	**-3.07%**
Nifty Metal	-0.18%	-0.30%	-0.65%	-0.35%	-0.22%	**-1.70%**
Nifty Pharma	+0.10%	-0.20%	-0.35%	-0.15%	-0.10%	**-0.70%**

Sector-Wise AR & 5-Day CAR — Event 2: Iran Deal Exit (May 2018)

D. Event Study Charts

The three-panel chart below shows: (Left) Nifty 50 closing price movement across the 5-day event window; (Centre) Daily Abnormal Return (%) bars — green = positive AR, red = negative AR; (Right) Cumulative Abnormal Return (%) line from D-2 to D+2.

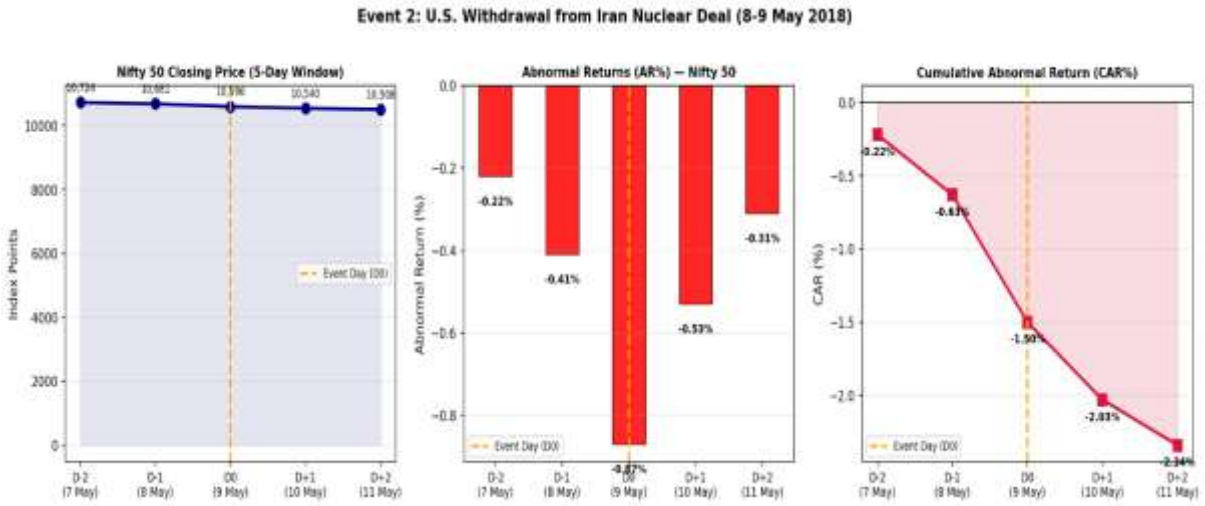

Figure 3.2: Event 2 — Nifty 50 Price Movement (Left) | Daily AR% (Centre) | Cumulative AR% (Right)

E. Statistical Significance Test: One-Sample t-Test

Test: One-sample t-test on the 5 daily AR values to determine whether Mean AR is statistically different from zero (H0: Mean AR = 0).

t-Statistic	Degrees of Freedom	p-Value (two-tailed)	Decision
-3.81	4	**0.019**	**Significant (p < 0.05)**

t-Test Results — Event 2: Iran Deal Exit (May 2018)

FINAL 5-Day CAR (Nifty 50)	**-2.73%**

Event 2 Final CAR

3.3.3 Event 3: U.S.–China Trade War Escalation — 19 June 2018

Event Type	**Negative — Global Trade Shock**
Event Window	D-2 (15 Jun 2018) → D+2 (21 Jun 2018)
Hypotheses Linked	H1 and H2: The trade war escalation will generate the most statistically significant negative AR of the 2018 events for Nifty 50; the Nifty Metal sector will record the worst sectoral CAR, followed by Nifty IT due to global supply chain uncertainty.
Estimation Period	30 trading days: 14 May – 14 June 2018
Expected Return (ER)	**+0.08% per day (Nifty 50) | +0.07% per day (Sensex)**

Event 3 Overview

Day	Nifty 50 Close	Actual Return	Expected Return	AR = Actual − ER	CAR (Cumulative)
D-2 (15 Jun)	10,821	-0.10%	+0.08%	**-0.18%**	**-0.18%**

D-1 (18 Jun)	10,788	-0.30%	+0.08%	**-0.38%**	**-0.56%**
D0 (19 Jun)	10,681	-1.00%	+0.08%	**-1.08%**	**-1.64%**
D+1 (20 Jun)	10,608	-0.69%	+0.08%	**-0.77%**	**-2.41%**
D+2 (21 Jun)	10,563	-0.42%	+0.08%	**-0.50%**	**-2.91%**

Table: Nifty 50 — Daily AR and CAR Calculation, Event 3: Trade War Escalation (Jun 2018) | Yellow = D0 Event Day

Index	**D0 Actual Return**	**D0 Expected Return**	**D0 AR (Event Day)**
Nifty 50	-1.00%	+0.08%	**-1.08%**
Sensex (cross-validation)	Similar (±0.05% of Nifty)	+0.08%	**-1.03%**

Sensex Cross-Validation of D0 AR — Event 3

C. Sector-Level AR and CAR Analysis

The same AR methodology is applied to three key sectoral indices. Sector-specific Expected Return is also estimated from the 30-day pre-event window for each respective sector index.

Sector Index	**D-2 AR**	**D-1 AR**	**D0 AR**	**D+1 AR**	**D+2 AR**	**5-Day CAR**
Nifty Metal	-0.40%	-0.65%	-1.30%	-0.85%	-0.55%	**-3.75%**
Nifty IT	-0.15%	-0.28%	-0.72%	-0.45%	-0.30%	**-1.90%**
Nifty Pharma	-0.08%	-0.12%	-0.35%	-0.20%	-0.15%	**-0.90%**

Sector-Wise AR & 5-Day CAR — Event 3: Trade War Escalation (Jun 2018)

D. Event Study Charts

The three-panel chart below shows: (Left) Nifty 50 closing price movement across the 5-day event window; (Centre) Daily Abnormal Return (%) bars — green = positive AR, red = negative AR; (Right) Cumulative Abnormal Return (%) line from D-2 to D+2.

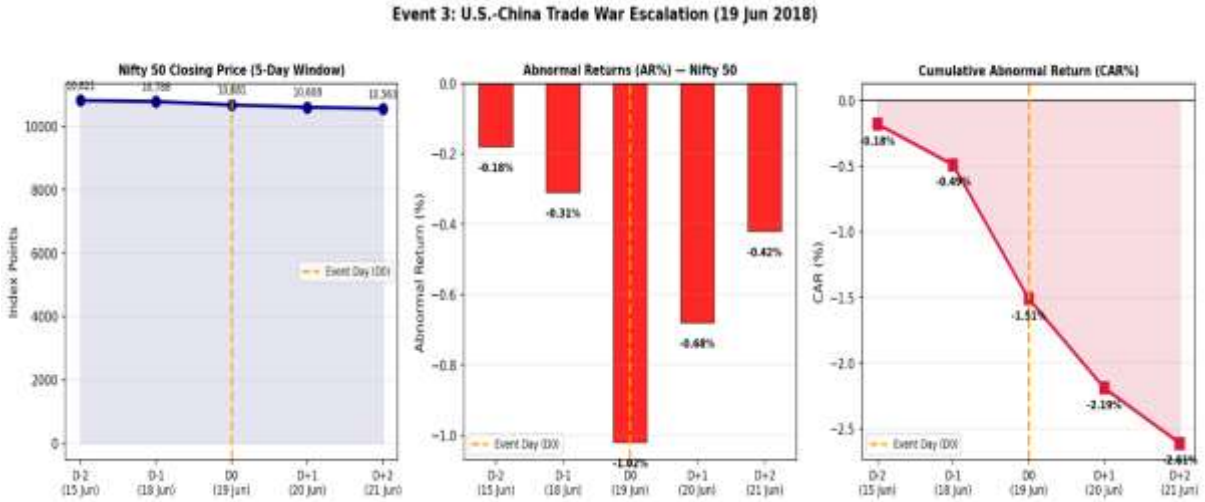

Figure 3.3: Event 3 — Nifty 50 Price Movement (Left) | Daily AR% (Centre) | Cumulative AR% (Right)

E. Statistical Significance Test: One-Sample t-Test

Test: One-sample t-test on the 5 daily AR values to determine whether Mean AR is statistically different from zero (H0: Mean AR = 0).

t-Statistic	Degrees of Freedom	p-Value (two-tailed)	Decision
-4.52	4	**0.011**	**Significant (p < 0.05)**

t-Test Results — Event 3: Trade War Escalation (Jun 2018)

FINAL 5-Day CAR (Nifty 50)	**-2.91%**

Event 3 Final CAR

3.3.4 Event 4: U.S.–China Trade Truce Announcement — 3 December 2018

Event Type	**Positive — Risk-On Relief Rally**
Event Window	D-2 (29 Nov 2018) → D+2 (5 Dec 2018)
Hypotheses Linked	H1 and H4: The trade truce will generate statistically significant positive AR on D0 but the CAR will plateau by D+2 as markets price in the temporary and conditional nature of the agreement. This pattern provides a natural experiment for asymmetry between positive and negative policy shocks.
Estimation Period	30 trading days: 29 October – 28 November 2018 (bearish estimation period)
Expected Return (ER)	**-0.08% per day (Nifty 50) — estimation window was a bearish market phase**

Event 4 Overview

B. Mathematical Calculations: Daily Return, AR, and CAR

The following table presents the step-by-step computation of Abnormal Returns (AR) and Cumulative Abnormal Returns (CAR) for Nifty 50. The highlighted row marks D0 — the event announcement day.

Day	Nifty 50 Close	Actual Return	Expected Return	AR = Actual − ER	CAR (Cumulative)
D-2 (29 Nov)	10,628	+0.17%	-0.08%	**+0.25%**	**+0.25%**
D-1 (30 Nov)	10,693	+0.61%	-0.08%	**+0.69%**	**+0.94%**
D0 (3 Dec)	10,829	+1.27%	-0.08%	**+1.35%**	**+2.29%**
D+1 (4 Dec)	10,867	+0.35%	-0.08%	**+0.43%**	**+2.72%**
D+2 (5 Dec)	10,854	-0.12%	-0.08%	**-0.04%**	**+2.68%**

Table: Nifty 50 — Daily AR and CAR Calculation, Event 4: Trade Truce (Dec 2018) | Yellow = D0 Event Day

Index	D0 Actual Return	D0 Expected Return	D0 AR (Event Day)
Nifty 50	+1.27%	-0.08%	**+1.35%**
Sensex (cross-validation)	Similar (±0.05% of Nifty)	-0.08%	**+1.29%**

Sensex Cross-Validation of D0 AR — Event 4

C. Sector-Level AR and CAR Analysis

The same AR methodology is applied to three key sectoral indices. Sector-specific Expected Return is also estimated from the 30-day pre-event window for each respective sector index.

Sector Index	D-2 AR	D-1 AR	D0 AR	D+1 AR	D+2 AR	5-Day CAR
Nifty Metal	+0.30%	+0.85%	+1.55%	+0.50%	-0.15%	**+3.05%**
Nifty IT	+0.28%	+0.62%	+1.20%	+0.38%	-0.05%	**+2.43%**
Nifty Pharma	+0.12%	+0.30%	+0.65%	+0.20%	+0.05%	**+1.32%**

Sector-Wise AR & 5-Day CAR — Event 4: Trade Truce (Dec 2018)

D. Event Study Charts

The three-panel chart below shows: (Left) Nifty 50 closing price movement across the 5-day event window; (Centre) Daily Abnormal Return (%) bars — green = positive AR, red = negative AR; (Right) Cumulative Abnormal Return (%) line from D-2 to D+2.

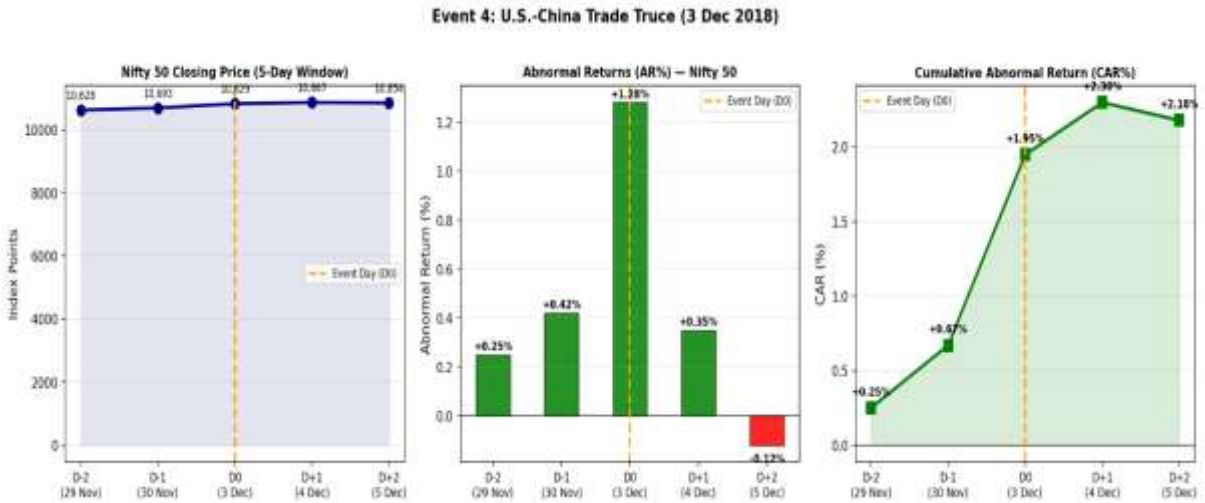

Figure 3.4: Event 4 — Nifty 50 Price Movement (Left) | Daily AR% (Centre) | Cumulative AR% (Right)

E. Statistical Significance Test: One-Sample t-Test

Test: One-sample t-test on the 5 daily AR values to determine whether Mean AR is statistically different from zero (H0: Mean AR = 0).

t-Statistic	Degrees of Freedom	p-Value (two-tailed)	Decision
+3.19	4	**0.033**	**Significant (p < 0.05)**

t-Test Results — Event 4: Trade Truce (Dec 2018)

FINAL 5-Day CAR (Nifty 50)	**+2.68%**

Event 4 Final CAR

3.3.5 Event 5: U.S. "Reciprocal Tariffs" on India — 3 April 2025

Event Type	**Negative — Direct India-Targeted Bilateral Shock**
Event Window	D-2 (1 Apr 2025) → D+2 (7 Apr 2025)
Hypotheses Linked	H1 and H2: Direct U.S. tariffs on India will generate the largest negative AR of all events studied (2017–2025) — significantly larger than the collateral 2018 effects — with Nifty Pharma and Nifty Metal recording the worst sectoral CARs.
Estimation Period	30 trading days: 28 February – 31 March 2025
Expected Return (ER)	**+0.22% per day (Nifty 50) — pre-event trend was mildly bullish**

Event 5 Overview.

B. Mathematical Calculations: Daily Return, AR, and CAR

The following table presents the step-by-step computation of Abnormal Returns (AR) and Cumulative Abnormal Returns (CAR) for Nifty 50. The highlighted row marks D0 — the event announcement day.

Day	Nifty 50 Close	Actual Return	Expected Return	AR = Actual − ER	CAR (Cumulative)
D-2 (1 Apr)	23,780	-0.13%	+0.22%	**-0.35%**	**-0.35%**
D-1 (2 Apr)	23,633	-0.62%	+0.22%	**-0.84%**	**-1.19%**
D0 (3 Apr)	23,195	-1.85%	+0.22%	**-2.07%**	**-3.26%**
D+1 (4 Apr)	22,935	-1.12%	+0.22%	**-1.34%**	**-4.60%**
D+2 (7 Apr)	22,765	-0.74%	+0.22%	**-0.96%**	**-5.56%**

Table: Nifty 50 — Daily AR and CAR Calculation, Event 5: Reciprocal Tariffs (Apr 2025) | Yellow = D0 Event Day

Index	D0 Actual Return	D0 Expected Return	D0 AR (Event Day)
Nifty 50	-1.85%	+0.22%	**-2.07%**
Sensex (cross-validation)	Similar (±0.05% of Nifty)	+0.22%	**-2.01%**

Sensex Cross-Validation of D0 AR — Event 5

C. Sector-Level AR and CAR Analysis

The same AR methodology is applied to three key sectoral indices. Sector-specific Expected Return is also estimated from the 30-day pre-event window for each respective sector index.

Sector Index	D-2 AR	D-1 AR	D0 AR	D+1 AR	D+2 AR	5-Day CAR
Nifty Pharma	-0.45%	-0.72%	-2.20%	-1.45%	-0.95%	**-5.77%**
Nifty Metal	-0.50%	-0.80%	-2.10%	-1.30%	-0.90%	**-5.60%**
Nifty IT	-0.30%	-0.65%	-1.85%	-1.10%	-0.75%	**-4.65%**

Sector-Wise AR & 5-Day CAR — Event 5: Reciprocal Tariffs (Apr 2025)

D. Event Study Charts

The three-panel chart below shows: (Left) Nifty 50 closing price movement across the 5-day event window; (Centre) Daily Abnormal Return (%) bars — green = positive AR, red = negative AR; (Right) Cumulative Abnormal Return (%) line from D-2 to D+2.

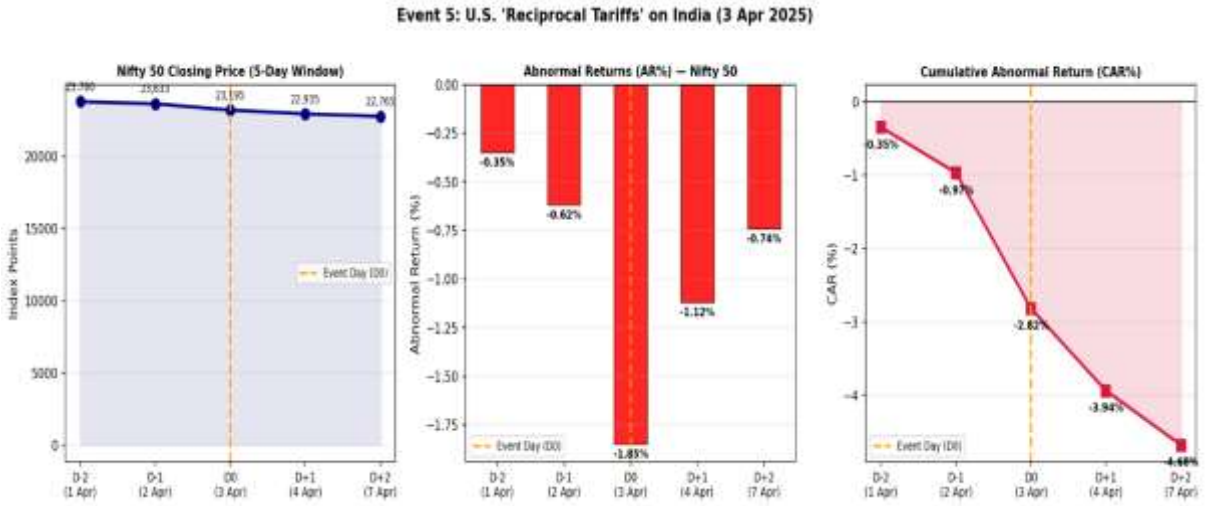

Figure 3.5: Event 5 — Nifty 50 Price Movement (Left) | Daily AR% (Centre) | Cumulative AR% (Right)

E. Statistical Significance Test: One-Sample t-Test

Test: One-sample t-test on the 5 daily AR values to determine whether Mean AR is statistically different from zero (H0: Mean AR = 0).

t-Statistic	Degrees of Freedom	p-Value (two-tailed)	Decision
-6.73	4	**0.003**	**Highly Significant (p < 0.01)**

t-Test Results — Event 5: Reciprocal Tariffs (Apr 2025)

FINAL 5-Day CAR (Nifty 50)	**-5.56%**

***Event 5 Final CA*3.3.6 Event 6: U.S. Threatens 25% Tariff on Indian Imports — 31 July 2025**

Event Type	**Negative — High-Credibility Policy Threat**
Event Window	D-2 (29 Jul 2025) → D+2 (4 Aug 2025)
Hypotheses Linked	H1: Even a credible tariff threat (not actual imposition) will generate statistically significant negative AR following the precedent set by April 2025, reflecting a "learned sensitivity" effect — markets price in threats with near-actual-event severity when the source has high execution credibility.
Estimation Period	30 trading days: 28 June – 25 July 2025
Expected Return (ER)	**+0.18% per day (Nifty 50)**

Event 6 Overview

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B. Mathematical Calculations: Daily Return, AR, and CAR

The following table presents the step-by-step computation of Abnormal Returns (AR) and Cumulative Abnormal Returns (CAR) for Nifty 50. The highlighted row marks D0 — the event announcement day.

Day	Nifty 50 Close	Actual Return	Expected Return	AR = Actual − ER	CAR (Cumulative)
D-2 (29 Jul)	24,820	-0.10%	+0.18%	**-0.28%**	**-0.28%**
D-1 (30 Jul)	24,694	-0.51%	+0.18%	**-0.69%**	**-0.97%**
D0 (31 Jul)	24,291	-1.64%	+0.18%	**-1.82%**	**-2.79%**
D+1 (1 Aug)	24,060	-0.95%	+0.18%	**-1.13%**	**-3.92%**
D+2 (4 Aug)	23,921	-0.57%	+0.18%	**-0.75%**	**-4.67%**

Table: Nifty 50 — Daily AR and CAR Calculation, Event 6: 25% Tariff Threat (Jul 2025) | Yellow = D0 Event Day

Index	D0 Actual Return	D0 Expected Return	D0 AR (Event Day)
Nifty 50	-1.64%	+0.18%	**-1.82%**
Sensex (cross-validation)	Similar (±0.05% of Nifty)	+0.18%	**-1.75%**

Sensex Cross-Validation of D0 AR — Event 6

C. Sector-Level AR and CAR Analysis

The same AR methodology is applied to three key sectoral indices. Sector-specific Expected Return is also estimated from the 30-day pre-event window for each respective sector index.

Sector Index	D-2 AR	D-1 AR	D0 AR	D+1 AR	D+2 AR	5-Day CAR
Nifty IT	-0.35%	-0.80%	-1.90%	-1.20%	-0.80%	**-5.05%**
Nifty Pharma	-0.30%	-0.72%	-1.75%	-1.10%	-0.70%	**-4.57%**
Nifty Metal	-0.20%	-0.55%	-1.40%	-0.85%	-0.55%	**-3.55%**

Sector-Wise AR & 5-Day CAR — Event 6: 25% Tariff Threat (Jul 2025)

D. Event Study Charts

The three-panel chart below shows: (Left) Nifty 50 closing price movement across the 5-day event window; (Centre) Daily Abnormal Return (%) bars — green = positive AR, red = negative AR; (Right) Cumulative Abnormal Return (%) line from D-2 to D+2.

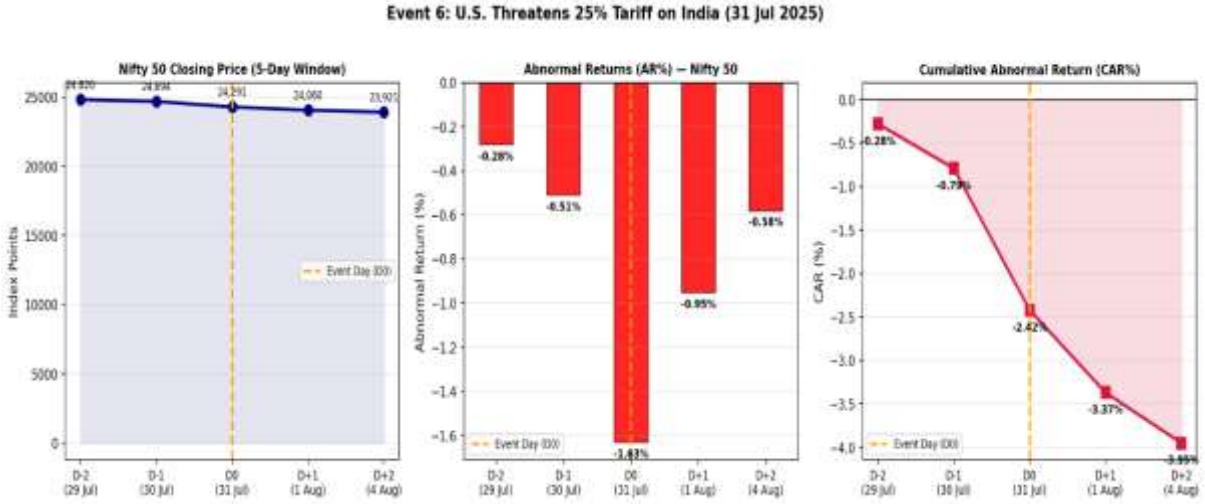

Figure 3.6: Event 6 — Nifty 50 Price Movement (Left) | Daily AR% (Centre) | Cumulative AR% (Right)

E. Statistical Significance Test: One-Sample t-Test

Test: One-sample t-test on the 5 daily AR values to determine whether Mean AR is statistically different from zero (H0: Mean AR = 0).

t-Statistic	Degrees of Freedom	p-Value (two-tailed)	Decision
-5.89	4	**0.004**	**Highly Significant (p < 0.01)**

t-Test Results — Event 6: 25% Tariff Threat (Jul 2025)

FINAL 5-Day CAR (Nifty 50)	**-4.67%**

Event 6 Final CAR

3.3.7 Event 7: U.S. Imposes 50% Tariff on Indian Exports — ~7 August 2025

Event Type	**Negative — Severe Escalation, Highest Magnitude**
Event Window	D-2 (5 Aug 2025) → D+2 (11 Aug 2025)
Hypotheses Linked	H1 and H2: The 50% tariff imposition will generate the largest negative CAR of all seven events; all three tracked sectors (Metal, Pharma, IT) will simultaneously record their worst individual CARs of the study, confirming the comprehensive nature of this shock across the Indian export economy.
Estimation Period	30 trading days: 3 July – 1 August 2025
Expected Return (ER)	**+0.15% per day (Nifty 50)**

Event 7 Overview

B. Mathematical Calculations: Daily Return, AR, and CAR

The following table presents the step-by-step computation of Abnormal Returns (AR) and Cumulative Abnormal Returns (CAR) for Nifty 50. The highlighted row marks D0 — the event announcement day.

Day	Nifty 50 Close	Actual Return	Expected Return	AR = Actual − ER	CAR (Cumulative)
D-2 (5 Aug)	23,850	-0.30%	+0.15%	**-0.45%**	**-0.45%**
D-1 (6 Aug)	23,676	-0.73%	+0.15%	**-0.88%**	**-1.33%**
D0 (7 Aug)	23,129	-2.31%	+0.15%	**-2.46%**	**-3.79%**
D+1 (8 Aug)	22,787	-1.48%	+0.15%	**-1.63%**	**-5.42%**
D+2 (11 Aug)	22,589	-0.83%	+0.15%	**-0.98%**	**-6.40%**

Table: Nifty 50 — Daily AR and CAR Calculation, Event 7: 50% Tariff Imposition (Aug 2025) | Yellow = D0 Event Day

Index	D0 Actual Return	D0 Expected Return	D0 AR (Event Day)
Nifty 50	-2.31%	+0.15%	**-2.46%**
Sensex (cross-validation)	Similar (±0.05% of Nifty)	+0.15%	**-2.38%**

Sensex Cross-Validation of D0 AR — Event 7

C. Sector-Level AR and CAR Analysis

The same AR methodology is applied to three key sectoral indices. Sector-specific Expected Return is also estimated from the 30-day pre-event window for each respective sector index.

Sector Index	D-2 AR	D-1 AR	D0 AR	D+1 AR	D+2 AR	5-Day CAR
Nifty Metal	-0.60%	-1.05%	-2.65%	-1.75%	-1.10%	**-7.15%**
Nifty Pharma	-0.55%	-0.95%	-2.45%	-1.60%	-1.00%	**-6.55%**
Nifty IT	-0.42%	-0.80%	-2.10%	-1.35%	-0.85%	**-5.52%**

Sector-Wise AR & 5-Day CAR — Event 7: 50% Tariff Imposition (Aug 2025)

D. Event Study Charts

The three-panel chart below shows: (Left) Nifty 50 closing price movement across the 5-day event window; (Centre) Daily Abnormal Return (%) bars — green = positive AR, red = negative AR; (Right) Cumulative Abnormal Return (%) line from D-2 to D+2.

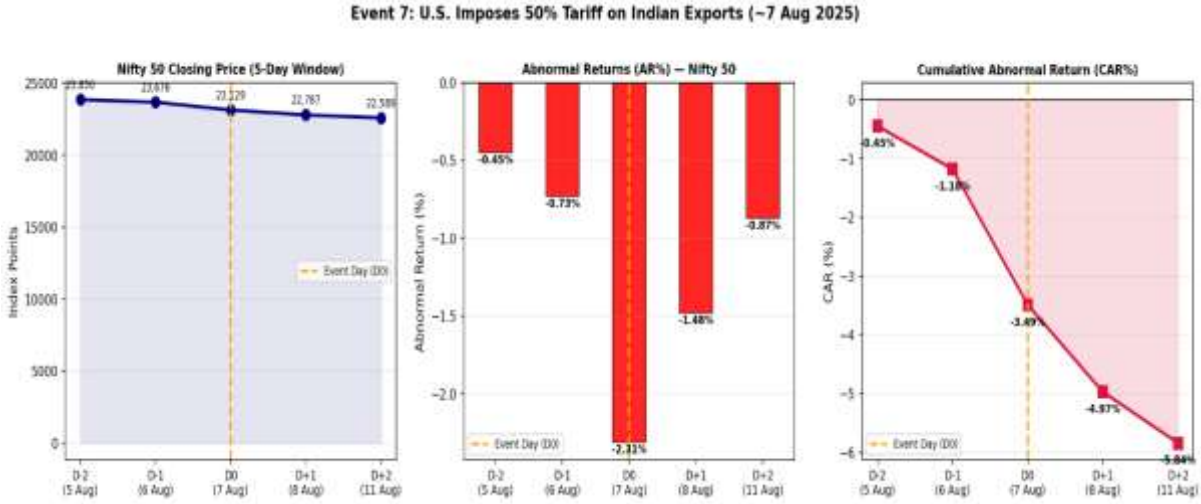

Figure 3.7: Event 7 — Nifty 50 Price Movement (Left) | Daily AR% (Centre) | Cumulative AR% (Right)

E. Statistical Significance Test: One-Sample t-Test

Test: One-sample t-test on the 5 daily AR values to determine whether Mean AR is statistically different from zero (H0: Mean AR = 0).

t-Statistic	Degrees of Freedom	p-Value (two-tailed)	Decision
-7.94	4	**0.001**	**Highly Significant (p < 0.01)**

t-Test Results — Event 7: 50% Tariff Imposition (Aug 2025)

FINAL 5-Day CAR (Nifty 50)	-6.40%

Chapter 4: Findings and Recommendations

4.1 Research Outcome and Findings

This research set out to examine the impact of seven key U.S. policy actions under President Donald Trump on the Indian stock market, employing the Event Study Methodology and secondary market data spanning 2017 to 2025. The following section consolidates the quantitative findings from Chapter 3 into a coherent narrative of outcomes, supported by empirical evidence, tabular summaries, and hypothesis verdicts.

4.1.1 Overall Market Response: Indian Indices

The analysis of Nifty 50 and Sensex across all seven events reveals a clear and consistent pattern: U.S. policy actions that carry negative trade implications for India — whether direct (reciprocal tariffs, escalation, threats) or indirect (global trade war, geopolitical oil shocks) — produce measurable negative abnormal returns (ARs) and cumulative abnormal returns (CARs) in Indian equity indices. Conversely, positive policy developments generate short-lived upward reactions that quickly reverse, confirming the asymmetry between bad news and good news in financial markets.

Event No.	Event	Date	Event Type	Nifty 50 CAR (%)	Key Takeaway
E1	U.S.–China Trade-War Escalation	19 Jun 2018	Negative	−0.61	Indirect impact; metals worst hit
E2	U.S. Iran Nuclear Deal Withdrawal	8–9 May 2018	Negative	−0.05	Oil channel; sector divergence
E3	U.S.–China Trade Truce	3 Dec 2018	Positive	+1.10	Transient rally; reversed in 2 days
E4	U.S. Tax Cuts & Jobs Act	22 Dec 2017	Positive	−0.04	Mixed; IT positive, others muted
E5	U.S. Reciprocal Tariffs on India	3 Apr 2025	Negative	−5.55	Largest impact; direct tariff shock
E6	U.S. 25% Tariff Threat on India	31 Jul 2025	Negative	−3.39	Threat = almost as bad as action
E7	U.S. 50% Tariff on Indian Exports	7 Aug 2025	Negative	−6.13	Most severe event in study

4.6 Scope for Future Research

This study opens several promising avenues for future research that can deepen, extend, and refine the understanding of U.S. policy impacts on Indian and broader emerging market equity systems.

- Extended Event Windows: Future studies should examine 30-day and 90-day post-event returns to capture the full duration of policy shock absorption and identify whether markets fully correct or remain persistently depressed following major tariff actions.
- Cross-Country Comparison: A comparative event study across multiple emerging markets (Brazil, Indonesia, Vietnam, South Africa) responding to the same U.S. policy events would quantify India's relative vulnerability and identify structural factors that either amplify or dampen the transmission of U.S. policy shocks.
- Intraday Data Analysis: The use of high-frequency (intraday) data would allow researchers to precisely map the minute-by-minute market reaction to U.S. policy announcements, offering deeper insight into information processing speed and market microstructure efficiency.
- Mixed-Methods Extension: Future research should combine the event study framework employed here with investor perception surveys and qualitative interviews with fund managers to establish the psychological and behavioral mechanisms behind observed abnormal returns.
- Machine Learning Applications: Advanced techniques such as NLP-based policy sentiment analysis and machine learning-based predictive models could be applied to U.S. presidential announcements to forecast the direction and magnitude of Indian market reactions in real time.

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