When the Market Googles Trump: Presidential Transition Uncertainty in Two Acts

We use Google searches to construct a Presidential Transition Uncertainty (PTU) index for the two Donald Trump presidential transitions by isolating PTU components from the broader stock market uncertainty captured by the VIX. The PTU index is used to examine and compare the evolution of transition-related uncertainty across the election, president-elect, and post-inauguration phases of each transition, and to study its causal links with proxies for risk aversion, financial conditions, policy uncertainty, and macroeconomic expectations. The results show that PTU is a significant and time-varying component of overall uncertainty, with distinct patterns across the two Trump transitions. PTU was comparably elevated during the election phase of both Trump transitions, declining post-election suggesting that uncertainty resolution took place. PTU was comparably elevated during the election phase of both Trump transitions, and declined post-election, suggesting a degree of uncertainty resolution. Post-inauguration, PTU diverged sharply across the two transitions—declining in the first, but rising and becoming more persistent in the second, driven by sweeping executive actions and institutional volatility. PTU consistently Granger-causes exchange rate volatility, trade policy uncertainty and alters expectations about future economic growth during the elections. Post-election, PTU increasingly drives economic and trade policy uncertainty, reflecting concerns over whether campaign rhetoric will materialize into policy, and impacts expectations of future economic growth and risk aversion. The divergence emerges post-inauguration, with PTU's causal power waning during the first transition but intensifying in the second, affecting U.S. financial conditions, global financial stress, risk aversion, bond market uncertainty, energy market volatility, and expectations about growth, interest rates, and inflation. Our study adds to the literature on political economics and the insights and methodology expounded in this study will be of potential interest to market analysts, investors, policymakers and economists.