

Protectionist U.S. Trade Policies and the Cross-Section of Emerging Market Currency Returns

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Abstract

This paper analyzes the impact of expected US protectionist trade policies on the cross-section of emerging market exchange rates, using intraday data from US presidential TV debates in the period 1996 to 2016 as exogenous shocks. Currencies depreciate when the protectionist candidate wins the debate, with stronger effects for countries with more exports to the US. Higher FX reserves, capital controls, higher net foreign assets, and political stability mitigate currency depreciation. Latin American currencies experience significant larger depreciation after protectionist shocks, while Asia-Pacific currencies experience less depreciation.

JEL-Classification: F31, G15, G14, D72

Keywords: Exchange rates, Emerging markets, US presidential elections, TV debates, Protectionism, Bilateral trade integration

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1 Introduction

With the election of Donald Trump as United States President in November 2024, many countries are confronted with increasing uncertainty regarding protectionist US trade policies. This paper examines the impact of expected US protectionist policies on the cross-section of emerging market currency returns. We build on the empirical framework of [de Boer et al. \(2024\)](#), who use the outcomes of US presidential TV debates as exogenous shocks to expected protectionist measures after the election. During these TV debates, both candidates propagate their political agendas and answer questions. These debates attract the largest audience of any televised campaign event and are often described as “game changers” for an election. While the impact on the election outcome can hardly be determined, the media attention of a huge share of American voters clearly affects voter preferences ([Benoit et al., 2003](#)).

The debates take place between 9:00 and 10:30 p.m. Eastern Daylight Time (EDT) at pre-scheduled dates in the last week of September and the first two weeks in October. Our focus on this narrow time window around these key events has several advantages. During this time of the day, we can be confident that this major TV event is the most important exogenous driver of presidential election probabilities. Other news and shocks relevant for exchange rates are typically absent, as major stock exchanges are closed and macro news are not released. We use intraday data from the Iowa Electronic Markets (IEM), where contracts betting on the outcome of the presidential election are traded and allow us to measure market based-prices for election probabilities. We match the outcome of each debate with the policy position of each candidate towards protectionism. Here, we use coded parties’ policy positions drawn from the Manifesto Project Dataset [Volkens et al. \(2016\)](#). Combining these data points enables us to measure if the (more) protectionist candidate wins a particular TV debate.

The performance of the candidates in the TV debate is an exogenous shock to exchange rates. This enables causal inference from changes in election probabilities during the short time span around the debate. We exploit the differences in candidates’ policy position on protectionism to measure investors’ update of expected future US trade policies. As the intrinsic fundamental value is important for determining the cross section of currency returns, investors will embed their expectations about future policy changes in exchange rates ([Jeanne and Son, 2024](#)). We exploit the variation in the cross-country exposure to US policies, measured by bilateral integration with the US in terms of foreign trade, in order to identify the impact of the debate outcome on a country’s exchange rate. A prominent example is the successful first presidential TV debate for Hillary Clinton in 2016, where the Mexican peso and Canadian dollar appreciated, since Trump was seen as protectionist.

There are many reasons to expect that protectionist policies have more pronounced effects on emerging market currencies, compared to their industrialized country peers. Emerging markets are typically considered to be more risky given a long history of currency crises as well as more pronounced business, monetary policy, and financial cycles. Emerging markets often experience capital flight when global shocks hit, as investors retrench their capital to financial centers. Many emerging markets have a less diversified set of export products, making them more vulnerable to protectionist policy shocks. Furthermore, many emerging markets follow explicit FX intervention and capital control policies, rendering the impact of protectionist shocks on the domestic currency non-trivial.

Our theoretical priors are derived from the portfolio balance framework of [Gabaix and Maggiori \(2015\)](#) and [Della Crote and Fu \(2020\)](#), where the FX market is cleared by credit constrained financiers. Protectionist policies in the US reduce the expected value of US imports. This expected improvement in the US trade balance will be associated with an expected appreciation of the US dollar. Financiers therefore increase their net US dollar position, which translates into an appreciation of the dollar even in the spot market. Following a US protectionist measures, the US dollar appreciates stronger against currencies with more intense trade integration.

We consider TV debates for the election years 1996 to 2016. With the exception of 1996, four presidential debates per year were held, leaving us with 23 debate days during our sample period.¹ We find strong evidence of a negative unconditional debate effect, with US presidential debates leading to an immediate depreciation of the US dollar against emerging market and developing country currencies by 1.4 basis points (bps) on average.

The cross-sectional variation in exchange rate responses after the presidential debates is driven by bilateral export integration with the US and country-specific macroeconomic characteristics. Currencies of countries with high exports to the US depreciate when the protectionist candidate's election probability increases. A statistically significant depreciation is observed for countries with exports exceeding 1% of their GDP. For highly integrated economies with 23% of US exports to their GDP, a 2 pp increase in protectionist election probability leads to an 8 bps depreciation, accounting for more than half the standard deviation of exchange rate returns during the 9:00–11:00 p.m. window.

Our results highlight the role of policy instruments and macroeconomic fundamentals in shaping the extent of currency responses. When the protectionist candidate wins a debate, countries with high foreign exchange reserves experience less currency depreciation, indicating that FX reserves and potential intervention act as a buffer against protectionist shocks and help to stabilize exchange

¹Between 1996 and 2016, two presidential debates fell on Sundays (10/06/1996 and 10/09/2016). For these, we compare Friday evening exchange rates with Monday morning exchange rates. We also account for the transition from daylight saving time to Eastern Standard Time (EST) and align data to EDT.

rates. Similarly, countries with imposed capital controls experience less currency depreciation after protectionist shocks than countries with open capital accounts. Countries with higher net foreign assets suffer less currency weakening following protectionist debate shocks than debtor countries. Countries with higher NFA are better able to buffer a deterioration of future net exports, and their currencies get therefore attached lower protectionism premia. Moreover, currencies of countries with larger financial systems are also less exposed to protectionist shocks due to a broader capital supply and more liquid markets. Currencies of Latin American countries, particularly those with strong US trade ties, experience significantly larger currency depreciation when the protectionist candidate’s election probability rises, reflecting the region’s intense trade and capital market integration with the US and a resulting vulnerability to trade policy shifts.

Our findings demonstrate that the impact of protectionist trade expectations on exchange rates via bilateral exports to the US is conditional on a country’s macroeconomic structure. While highly trade-dependent economies face stronger depreciation pressures, active capital account management, proper supply of FX reserves, limited foreign debt, and political stability can help mitigating the unfavorable effects of protectionism, providing greater exchange rate stability.

Related Literature. Our paper contributes to a large strand of the literature focusing on the impact of tariffs on the exchange rate. Several classical papers show that the exchange rate acts as a shock absorber and that the domestic currency depreciates as a trading partner implements import tariffs (e.g., [Mundell, 1961](#); [Dornbusch, 1974](#); [Eichengreen, 1981](#); [Krugman, 1982](#); [Van Wijnbergen, 1987](#); [Edwards and Ostry, 1990](#)). Several papers confirm this hypothesis in DSGE settings ([Lindé and Pescatori, 2019](#); [Barattieri et al., 2021](#); [Boer and Rieth, 2023](#)) or large panel studies ([Furceri et al., 2018](#)). [Boer and Rieth \(2023\)](#) and [Khalil and Strobel \(2024\)](#) find that uncertainty about US trade policy contributes to US dollar appreciation. [Della Corte and Fu \(2020\)](#) attribute high US dollar returns under Democratic presidencies to the empirical observation of higher trade policy uncertainty under Republican presidents.

Some contributions underline the importance of anticipation effects, i.e., news or even tweets about tariffs move exchange rates ([Barbiero et al., 2019](#); [Carlomagno and Albagli, 2022](#); [Matveev and Ruge-Murcia, 2024](#); [Jeanne and Son, 2024](#)). Expected protectionist policies appear to have a higher impact on emerging market currencies than on their peers of industrialized economies. For example, [Matveev and Ruge-Murcia \(2024\)](#) find that the impact of Trump’s protectionist tweets on the Mexican peso is almost twice as large as on the Canadian dollar. [Jeanne and Son \(2024\)](#) find that two thirds of renminbi’s depreciation in 2018-19 is explained by tariffs, while only one fifth the dollar’s appreciation can be attributed to trade war with China.

Closest to ours, [Wolfers and Zitzewitz \(2016\)](#) and [de Boer et al. \(2024\)](#) exploit the outcome

of US presidential TV debates as an exogenous event to study exchange rate movements. [Wolfers and Zitzewitz \(2016\)](#) investigate the first debate of the 2016 US presidential election and present descriptive evidence that the Mexican peso and the Canadian dollar appreciated when Trump's election probability declined. [de Boer et al. \(2024\)](#) find for a large sample of 96 industrialized and emerging market countries in the period 1996-2016, that the victory of a protectionist candidate in a presidential TV debate is associated with an appreciation of the US dollar. The Dollar appreciation is stronger against currencies of countries with tighter trade integration with the US. For emerging markets, they find a more pronounced impact of protectionism than for industrialized economies.

We contribute to this strand of the literature by focusing on emerging markets and developing countries and their distinct structural characteristics. These economies differ from industrialized economies in their higher exposure to global shocks and capital retrenchment, more intense business and monetary policy cycles, a less diversified set of export products, and a widespread use of FX intervention and capital control policies. Our results may inform investors about potential risk factors shaping the emerging market currency exposure towards protectionist policy shocks.

Our paper also contributes to some more distant strands of literature. Several papers acknowledge stock market investors attention to president Trump's policy agenda and find that the business model of companies shapes the reaction of stock returns to the election probability of Trump ([Wagner et al., 2018](#); [Hanke et al., 2020](#)). The risk of expected protectionist policies also affects the pricing of stocks, hurting those stocks with intense trade relationships to the protectionist country ([Bianconi et al., 2021](#); [Huang et al., 2023](#)).

Presidential election cycles shape the stock market, where the election of Republican presidents is associated with higher stock returns ([Bernhard and Leblang, 2006](#); [Snowberg et al., 2007](#); [Sattler, 2013](#); [Brogaard et al., 2019](#)), while during Republican presidencies, stock returns are found to be lower ([Santa-Clara and Valkanov, 2003](#)).

Our paper also contributes to a large strand of papers on economic policy uncertainty. Higher uncertainty about US economic policy or fundamentals drive exchange rate expectations (e.g., [Eichler et al., 2009](#); [Eichler, 2011](#); [Beckmann and Czudaj, 2017](#); [Beckmann et al., 2023](#)). The pricing of financial assets is significantly affected by policy uncertainty around monetary policy announcements (e.g., [Kuttner, 2001](#); [Rosa, 2011](#); [Mueller et al., 2017](#); [Cieslak and Schrimpf, 2019](#); [Bianchi et al., 2019](#)) and macroeconomic announcements (e.g., [Faust et al., 2007](#); [Gürkaynak et al., 2005](#); [Andersen et al., 2003, 2007](#)).

2 Data and Variable Construction

2.1 Exchange Rate Data

We consider intraday exchange rates of flexible exchange rate regimes and currencies that are not anchored to another currency.² The sample period is from January 1996 to December 2016. We focus our analysis on currencies of emerging markets and developing countries.³ The sample covers 71 currencies.⁴

The spot exchange rate data is from Thomson Reuters Tick History and includes bid and ask quotes nearly every minute. To ensure actual trades occur, we filter for quotes with available prices. We construct daily panels of spot exchange rates at 15-minute windows, leaving gaps unfilled if no quote is available. The spot exchange rate is calculated as the average of bid and ask quotes and expressed as the number of foreign currency units per US dollar, meaning an increase indicates US dollar appreciation against the foreign currency.

2.2 Currency Returns

Throughout the paper, currency returns are reported in percent, with outliers capped at $+/-30$ percent. We calculate intraday foreign currency returns using a panel of 15-minute windows of spot exchange rates. Since debates occur between 9:00 and 10:30 p.m. EDT, we define $s_{i,t,9:00p.m.}$ as the reference spot rate, i.e., the last quote between 8:45 and 9:00 p.m. of currency i on day t .⁵

The return at time T is the difference between the natural logarithms of the spot rate at T and the reference spot rate

$$r_{i,t,T} = \ln(s_{i,t,T}) - \ln(s_{i,t,9:00p.m.}), \quad (1)$$

and measures the exchange rate return (foreign currency i per US dollar) on day t between 9:00 p.m. and time T . We use post-debate returns by expanding T by 15-minute windows (e.g., $T = 9:15$ p.m., 9:30 p.m., etc.). If no quote is available within a given 15-minute window, we omit the return. A positive (negative) return indicates US dollar appreciation (depreciation) against

²We use the coarse *de facto* exchange rate arrangement classification of [Ilzetzi et al. \(2019\)](#). Our sample considers only currencies with codes of 3 and higher.

³We follow the World Bank's classification of economies based on their GNI per capita, even if the classification does not imply a judgment concerning the development status of any country. We consider low-income economies, lower-middle-income economies, and upper-middle-income economies as emerging markets and developing countries.

⁴Albania, Algeria, Angola, Argentina, Azerbaijan, Belarus, Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burundi, Chile, Colombia, Comoros, Croatia, Czechia, Dem. Rep. of the Congo, Dominican Republic, Estonia, Ethiopia, Gambia, Ghana, Guinea, Haiti, Hungary, Indonesia, Iran, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Macedonia, Malawi, Malaysia, Malta, Mauritania, Mexico, Moldova, Mongolia, Morocco, Mozambique, Nepal, Nigeria, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Rep. of Korea, Romania, Russia, Serbia, Seychelles, Sierra Leone, Slovakia, Slovenia, South Africa, Sri Lanka, Sudan, Suriname, Tanzania, Thailand, Tunisia, Turkey, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Yemen, Zambia.

⁵If no quote is available in this window, we use the previous 15-minute interval as the reference.

foreign currencies.

2.3 Prediction Market Data

We use prediction market contract prices from IEM to measure changes in candidates' election probabilities during presidential debates. IEM is a real-money futures market where contract prices reflect expected outcomes. On the Winner-Takes-All (WTA) market, payoffs depend on which major party – Democrat (Dem) or Republican (Rep) – receives the larger share of the popular vote cast.⁶

The traded Arrow-Debreu securities in the prediction market pay \$1 if the respective party's nominee receives the majority and \$0 otherwise. Under standard no-arbitrage pricing with risk-neutral probabilities, these contract prices serve as market-aggregated forecasts of future event probabilities. Since candidate performance during debates is largely unpredictable, debate outcomes represent exogenous shocks. This allows us to establish a causal relationship between exchange rate returns and election probability shocks.

2.4 Changes in Election Probabilities

We consider Democratic WTA contracts, i.e., an increase in the contract price ($q^{Dem} > 0$) implies an increased election probability of the Democratic candidate, while a decrease implies a higher probability for the Republican candidate with $q^{Dem} = 1 - q^{Rep}$. The prediction market operates continuously which allows us to use intraday prices of Democratic WTA contracts at each 15-minute interval. Similar to exchange rate returns, we calculate changes in election probabilities using a panel of 15-minute windows of prices and define $q_{t,9:00p.m.}$ as the reference price, i.e., the last available price between 8:45 and 9:00 p.m. on debate day t .

The change in the election probability of the Democratic candidate at time T is

$$\Delta q_{t,T}^{Dem} = q_{t,T}^{Dem} - q_{t,9:00p.m.}^{Dem}, \quad (2)$$

where $\Delta q_{t,T}^{Dem}$ measures the change in the election probability of the Democratic candidate from the beginning of the debate (9:00 p.m.) to time T (expanding by 15-minute windows). For example, on the first US presidential debate day in 2016, the Democratic WTA contract price rose from \$0.661 at 9:00 p.m. (debate start) to \$0.675 at 10:30 p.m. (debate end), reflecting a positive value of 1.4 pp of $\Delta q_{09/26/2016,10:30p.m.}^{Dem}$ during the first debate.

⁶Although IEM contracts are based on the popular vote rather than the Electoral College, research has shown their probability changes to be more predictive than election polls (Forsythe et al., 1992; Wolfers and Zitzewitz, 2004; Rhode and Strumpf, 2004; Berg et al., 2008), making them valuable for investors updating their expectations.

2.5 Policy Position on Protectionism

To objectively measure candidates' policy position towards protectionism, we use the Manifesto Project Dataset (Volgens et al., 2016), which codes election manifestos based on policy preferences. Each variable represents the share of quasi-sentences in a given category as a fraction of all coded statements in the document. The variable "Protectionism positive" counts quasi-sentences that favor extending or maintaining protection of internal markets, such as through tariffs, quota restrictions, or export subsidies. The variable "Protectionism negative" counts quasi-sentences supporting free trade, open markets, and the abolition of market protections. For each party (Democrat and Republican), we calculate the net position by subtracting the negative position from the positive position.⁷ A positive net position implies that the candidate supports protectionist measures and vice versa for negative values. This yields a relative policy position on protectionism for each candidate in each election year.

To identify the protectionist candidate during the election, we subtract the Republican party's net position on protectionism from the Democratic party's net position on protectionism. A positive value indicates that the Democratic party supports protectionism more than the Republican, and vice versa for negative values.

2.6 Changes in Protectionist Election Probabilities

The change in the election probability of the protectionist candidate between the beginning of the debate at 9:00 p.m. and time T is

$$\Delta q_{t,T}^{ Protec} = \begin{cases} \Delta q_{t,T}^{ Dem} & \text{if Democrat is the protectionist candidate,} \\ -\Delta q_{t,T}^{ Dem} & \text{if Republican is the protectionist candidate.} \end{cases}$$

In 2016, the difference in net positions was -0.04, indicating that the Republican party favored protectionism more than the Democratic party. Therefore, during the first US presidential debate of 2016, the change in the election probability of the protectionist candidate was $\Delta q_{09/26/2016,10:30p.m.}^{ Protec} = -1.4$ pp as the Republican candidate lost the debate.

Table A.1 presents summary statistics for absolute changes in the protectionist candidate's election probability from the debate start (9:00 p.m.), using 15-minute intervals. On average, probabilities shift by 2 pp after debates (11:00 p.m.), with a considerable variation of 0.9 pp.

⁷For example, in the 2016 US election manifestos, the value of the Democratic party for "Protectionism positive" was 0.13, and for "Protectionism negative" 0.27, resulting in a net protectionism position of -0.14 . For the Republican party, the net position was -0.1 ($0.36 - 0.46$).

3 Empirical Model

For a given time interval spanning from the start of the debate at 9:00 p.m. to T (expanding by 15-minute windows), we construct a daily panel of currency returns and changes in protectionist election probabilities. The changes in election probabilities are only available on debate days. The high-frequency data enable precise matching of intraday exchange rate returns with changes in protectionist election probabilities at time T . The first nonzero exchange rate return and election probability change can occur at 9:15 p.m., where we match $r_{i,t,9:15p.m.} = \ln(s_{i,t,9:15p.m.}) - \ln(s_{i,t,9:00p.m.})$ with $\Delta q_{t,9:15p.m.}^{ Protec} = q_{t,9:15p.m.}^{ Protec} - q_{t,9:00p.m.}^{ Protec}$. This allows us to capture the immediate impact of US presidential debates on currency returns.

We analyze multiple post-debate windows to track the evolution of the debate effect, omitting index T for simplicity. First, we estimate the unconditional debate effect by regressing exchange rate returns on a dummy variable indicating US presidential debate days

$$r_{i,t} = \kappa + \beta_1 \times Debate_t + \alpha_i + \gamma_t + \varepsilon_{i,t}, \quad (3)$$

where β_1 captures the impact of debate days relative to non-debate days. κ is a constant, while α_i and γ_t account for country and year fixed effects, respectively. The error term is $\varepsilon_{i,t}$.

Next, we assess cross-country heterogeneity in the debate effect by interacting changes in the protectionist candidate's election probability with a macroeconomic variable measuring bilateral trade ties between country i and the US captured by $Trade_{i,t}$

$$\begin{aligned} r_{i,t} = & \kappa + \beta_1 \times Debate_t + \beta_2 \times Debate_t \times \Delta q_t^{ Dem} + \beta_3 \times Debate_t \times \Delta q_t^{ Protec} \\ & + \beta_4 \times Trade_{i,t} + \beta_5 \times Debate_t \times Trade_{i,t} + \beta_6 \times Debate_t \times \Delta q_t^{ Dem} \times Trade_{i,t} \\ & + \beta_7 \times Debate_t \times \Delta q_t^{ Protec} \times Trade_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t} \end{aligned} \quad (4)$$

where the interaction term identifies how changes in a protectionist candidate's election probability affects exchange rate returns, leveraging cross-country variation in US trade ties.⁸ The coefficient β_2 captures partisan effects from changes in the Democratic candidate's probability, while β_3 measures the impact of changes in the protectionist candidate's probability. β_4 represents the effect of bilateral trade on exchange rate returns, and β_5 captures its impact specifically on debate days. Since the Democrat is not always the protectionist candidate, β_6 accounts for the Democrat effect across different trade levels. β_7 reflects heterogeneity in the protectionism effect based on trade integration with the US. Stronger trade ties with the US should amplify the debate's effect

⁸On days without presidential debates where $Debate_t = 0$, the variables of $\Delta q_t^{ Dem}$ and $\Delta q_t^{ Protec}$ are zero.

on foreign currency returns. If the more protectionist candidate wins, currencies of countries with deeper trade integration are expected to weaken more against the US dollar.

Finally, we analyze the impact of changes in the protectionist election probability conditional on bilateral trade integration with the US by accounting for various country-specific characteristics of emerging markets and developing countries. We account for various characteristics of country i such as FX policy, financial openness, country risk, or political stability. For example, the level of FX reserves may buffer protectionist shocks via FX intervention. Comparing two countries i with the same bilateral trade exposure to the US, we expect the high FX reserves country to experience less currency depreciation after a protectionist debate shock than the low FX reserves country.

Table 3 lists the summary statistics of the macroeconomic characteristics and Table A.2 presents a description of all variables and the respective source. The characteristics are defined with dummy variables captured by $\zeta_{i,t} = [0, 1]$, indicating whether a country's characteristic is above or below the sample median. The following Eq. (5) extends Eq. (4) by estimations for β_8 to β_{13}

$$\begin{aligned}
r_{i,t} = & \kappa + \beta_1 \times Debate_t + \beta_2 \times Debate_t \times \Delta q_t^{Dem} + \beta_3 \times Debate_t \times \Delta q_t^{Protec} \\
& + \beta_4 \times Trade_{i,t} + \beta_5 \times Debate_t \times Trade_{i,t} + \beta_6 \times Debate_t \times \Delta q_t^{Dem} \times Trade_{i,t} \\
& + \beta_7 \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} \\
& + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} \\
& + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}.
\end{aligned} \tag{5}$$

where β_8 measures the effect of macroeconomic characteristics on exchange rate returns, β_9 captures the effect of macroeconomic characteristics specially on debate days. β_{10} measures the impact of changes in the protectionist election probability, for macroeconomic characteristics. β_{11} captures how bilateral trade ties influence exchange rate returns according to macroeconomic characteristics and β_{12} captures this effect specially on debate days. Finally, β_{13} measures how the impact of the bilateral trade channel of protectionist debate shocks differs for heterogeneous country characteristics.

Including this full set of linear and interaction terms allows for an unbiased estimation of how changes in the protectionist candidate's election probability affect exchange rate returns across varying levels of bilateral trade integration and macroeconomic conditions in emerging and developing markets.

4 Baseline Results

4.1 Unconditional Debate Effect

This section presents our results on the unconditional impact of US presidential debates on exchange rate returns estimating Eq. (3) using different time intervals from 9:00 p.m. to T . Table 1 reports results for various estimation windows, starting at 9:15 p.m. and expanding in 15-minute intervals, incorporating country and year fixed effects (I). We find evidence of a statistically significant negative unconditional debate effect, indicating US dollar depreciation, with the most pronounced impact at 11:45 p.m. of the debate night. The US dollar depreciation during debates also remains robust using (II) country and month fixed effects and (III) country and year fixed effects with clustered standard errors.

Figure 1 shows the mean unconditional debate effect with a 90% confidence interval for each 15-minute window until the next day using the first model specification. Exchange rates react negatively post-debate, with an average US dollar depreciation of -0.014 pp at 11:45 p.m. compared to non-debate days. This negative impact persists until midnight before fading, with coefficients turning positive and more volatile.

4.2 Effect of Protectionism Conditional on Trade Ties

This section examines how changes in the protectionist candidate’s election probability influence exchange rate returns across different values of bilateral trade of emerging markets and developing countries with the US. For instance, we expect that a higher protectionist candidate’s election probability should weaken the Mexican peso more than the Colombian peso due to Mexico’s greater trade integration with the US (23.5% of GDP for Mexico vs. 3.6% for Colombia in 2016). To analyze this heterogeneity, we estimate Equation (4), interacting the protectionist candidate’s election probability with bilateral trade ties. This allows us to determine whether a rising protectionist candidate’s probability is perceived as favorable or unfavorable for countries with specific trade integration. Holding unconditional debate effects fixed, we find that exchange rate reactions depend on a country’s bilateral trade with the US.

Table 2 presents the regression results. For cross-country differences in sensitivity to a protectionist debate victory, we find that the interaction coefficient on $Debate_{t,T} \times \Delta q_{t,T}^{ Protec} \times Exports_{i,t,T}$ is positive and significant from 22:30 and strongest around midnight, indicating that foreign currency depreciation after a rise in the protectionist candidate’s election probability is more pronounced for countries with higher exports to the US. Thus, higher trade integration with the US amplifies foreign currency depreciation following a successful debate of the protectionist candidate. Figure 2 shows the evolution of the interaction coefficient over the debate night. It is zero at the

start of the debate, turns positive and statistically significant at 10:30 p.m., and remains significant until 01:15 a.m. The highest effect can be observed at 23:45 p.m. with 0.0022 pp.

Next, we compute average marginal effects by differentiating expected exchange rate returns with respect to changes in the protectionist candidate’s election probability at varying export levels to the US. The marginal effect reflects a one pp increase in election probability. [Figure 3](#) plots the average marginal effects on exchange rate returns at 11:00 p.m. in 90% confidence intervals for the sample range of bilateral exports to the US (% of GDP). Currencies of countries with at least 1% relative exports to the US significantly weaken with rising protectionist election probabilities, while no effect is observed below this threshold. At the mean export level (2.81%), a one pp increase in the election probability raises exchange rate returns by around 0.0055 pp. Given an average 2 pp change in probability from 9:00–11:00 p.m. ([Table A.1](#)) and a total sample standard deviation of 0.15 pp, this accounts for 0.07 standard deviations of exchange rate returns for countries with the mean export ratio. For countries with high exports to the US (23% of GDP), the marginal effect of an increase in the protectionist candidates’ election probability by one pp is 0.040 pp. With a 2 pp election probability change, the protectionism channel contributes a 0.080 pp return, which is more than half of the sample’s exchange rate return standard deviation. As expected, currencies of highly export-integrated countries weaken more when the protectionist candidate’s election probability rises. Consistent with theoretical priors, the risk of future protectionist trade shocks harms particularly trade dependent emerging markets, putting more depreciation to pressure after debates with successful protectionist candidates.

5 Country Heterogeneity in the Protectionism Channel

5.1 FX policy

FX Reserves. FX intervention can be effective to achieve politically intended exchange rate levels. FX intervention typically succeeds in moving or stabilizing the exchange rate in the short term ([Fratzscher et al., 2019](#)) and can have persistent effects on exchange rates ([Menkhoff et al., 2021](#)). The drastic accumulation of FX reserves since the Asian financial crisis mimics emerging markets’ desire for precautionary savings to hedge against capital flights ([Aizenman and Marion, 2003](#); [Aizenman and Lee, 2007](#); [Chinn and Ito, 2007](#); [Gruber and Kamin, 2007](#)). [Fratzscher \(2009\)](#) finds that currencies of countries with low FX reserves weakened the most during the financial crisis 2008. [Habib and Stracca \(2012\)](#) show that the ratio of foreign exchange reserves to imports plays a significant role for advanced countries’ currency hedging ability against global risk aversion shocks, while reserves when interacted with global risk aversion shocks have surprisingly no statistically significant impact in emerging markets. We expect that higher levels of FX reserves can mitigate

the protectionism-induced negative pressure on currencies during debates. In the context of [Gabaix and Maggiori \(2015\)](#), a higher stock of FX reserves can neutralize the expected higher foreign currency demand triggered by reduced future net exports. Thereby, the central bank can better neutralize the pressure on the domestic currency by selling reserves. To test this hypothesis, we use the External Wealth of Nations database by [Lane and Milesi-Ferretti \(2007, 2017\)](#) that reports country’s foreign exchange reserves (holdings of liquid foreign-currency assets by the domestic central bank) and scale it relative to GDP. We estimate the interaction model outlined in Eq. 5, where the protectionism-trade channel is interacted with a dummy indicating FX reserves above (1) or below (0) the sample median.

[Figure 4](#) presents the evolution of the interaction coefficients β_{13} in Eq. 5 testing for a difference in the protectionism channel for high FX reserves countries against low FX reserves countries – capturing $Debate_{t,T} \times \Delta q_{t,T}^{ Protec} \times Exports_{i,t,T} \times FXReserves[0,1]_{i,t,T}$ – over the debate night. The interaction coefficient is negative and significant shortly after the close of the debate, and becomes insignificant after 11:00 p.m. The results thus add weak statistical evidence that countries with above median FX reserves can mitigate the impact of protectionism on their domestic currency returns. [Table 4](#) presents the detailed regression results for the impact of high FX reserves. The interaction coefficient is strongest at 10:45 p.m. and 0:30 a.m.

In the next step, we compute average marginal effects of a one pp increase in the protectionist candidate’s election probability on exchange rate returns (y-axis), for a range of bilateral exports to the US (x-axis) for high FX reserves countries and low FX reserves countries separately. [Figure 5](#) plots the average marginal effects on exchange rate returns at 11:00 p.m. in 90% confidence intervals for high (left panel) and low (right panel) levels of FX reserves. For low FX reserves countries we observe a much more pronounced effect of protectionist shocks than for high FX reserves countries. At the mean export level (2.81%), a one pp increase in the protectionist candidate’s election probability is associated with a depreciation of low FX reserves currencies by around 0.008 pp. Given an average 2 pp change in probability from 9:00–11:00 p.m. ([Table A.1](#)) and a total sample standard deviation of 0.15 pp, this accounts for around a tenth of a standard deviation of exchange rate returns for low FX reserves countries at the mean level of bilateral US exports. For high FX reserves countries, no significant currency effect is observed at the mean exports to GDP level. For countries with higher levels of bilateral trade, the impact of protectionist election probability shocks on currency returns is even more pronounced for both country groups, where the impact for low FX reserves countries is consistently larger than for high FX reserves countries. These findings confirm our baseline result that higher levels of bilateral trade integration with the US constitute the relevance of protectionist shocks on currency returns. Higher levels of FX reserves could mitigate depreciation pressure, serving as a buffer against potential unfavorable

trade policies that reduce demand for foreign currencies, particularly for highly trade-integrated economies.

Capital Controls. Restrictions on cross-border capital flows tilt the term structure of capital flows to more long term investment. Capital controls may even prevent sudden stops in the face of protectionist policy shocks. We therefore expect tighter capital controls to reduce the adjustment of the exchange rate to protectionist shocks. Capital controls may lead to a less pronounced intertemporal adjustment of the capital account, which should reduce the sensitivity of the exchange rate to protectionist shocks. [Habib and Stracca \(2012\)](#) find no significant effect of capital restrictions for the transmission of global shocks to currency returns.

We use two indicators to measure capital controls. First, the Chinn-Ito index ([Chinn and Ito, 2006](#)) which measures a country’s degree of capital account openness. The index bases on binary dummy variables that codify the tabulation of restrictions on cross-border financial transactions reported in the IMF’s Annual Report on Exchange Arrangements and Exchange Restrictions. Higher values of the index represent higher capital account openness. According to [Chinn and Ito \(2006\)](#), the index is on average higher for industrialized countries than for developing countries and emerging markets. In our sample of developing countries and emerging markets, we observe that countries with an index above median have an index value of 1.44 and countries with an index below median have an index value of -1.03.

Second, we use the dataset on *de jure* capital control measures by [Fernández et al. \(2015\)](#) (updated version of [Schindler \(2009\)](#)) and focus on the index of outflow restrictions. The index has a range of $[0, 1]$, in which larger values represent more restrictions on capital outflows. We expect that countries with stricter capital outflow restrictions are better able to dampen the negative effects due to expectations about protectionist US trade policies induced by debates.

[Figure 6](#) illustrates the impact of capital account openness on exchange rate responses to changes in the protectionist candidate’s election probability, conditional on a country’s exports to the US. The interaction coefficient β_{13} in Eq. 5 is $Debate_{t,T} \times \Delta q_{t,T}^{ Protec} \times Exports_{i,t,T} \times CapitalAccountOpen[0,1]_{i,t,T}$. [Figure 7](#) plots the average marginal effects of a one pp increase in the protectionist election probability on currency returns at 11:00 p.m. for high (left panel) and low (right panel) capital account openness. The interaction effect is positive and significant in several 15 minutes periods, indicating that higher levels of capital account openness adds to the depreciation pressure of currency returns after protectionist shocks. Marginal effects of protectionist shocks on currency returns are higher for countries with high capital account openness than for countries with restricted capital accounts. For both country groups, the marginal effects increase with exports to the US, implying stronger currency depreciation pressure for countries

with high levels of exports to the US and high capital account openness. At the mean export level (2.81%), a one pp increase in the protectionist election probability increases exchange rate returns by around 0.008 pp for countries with high capital account openness and by around 0.004 for countries with low capital account openness. Our results imply that countries with higher capital account openness are more exposed to US trade policy, particularly for highly trade-integrated economies. Countries with restricted capital accounts may be better able to avoid depreciation pressure by managing or even prohibiting capital outflows in times of protectionist shocks.

Figure 8 shows the evolution of the interaction coefficients β_{13} in Eq. 5 for high and low levels of capital controls –capturing $Debate_{t,T} \times \Delta q_{t,T}^{ Protec} \times Exports_{i,t,T} \times CapitalControls[0,1]_{i,t,T}$ – over the debate night. The interaction coefficient is consistently negative, though not always significant confirming the previous results. Restrictions on capital outflows mitigate the depreciation pressure following protectionist shocks.

Figure 9 plots the average marginal effects of a one pp increase in the protectionist election probability on returns at 11:00 p.m. for high (left panel) and low (right panel) capital outflow restrictions. The slope of the marginal effect is much higher for countries with low outflow restrictions. For large levels of bilateral trade integration, e.g. bilateral US exports at 20 percent of GDP, the marginal effect of a 1 pp increase in the election probability of the protectionist candidate on currency returns is at around 0.04 pp for countries with low outflow restrictions, and 0.025 pp for countries with high outflow restrictions. Restrictions on capital outflows are thus particularly helpful for highly integrated countries to buffer negative currency shocks in the face of protectionist shocks.

5.2 Openness and Size of Financial Markets

Financial Openness. Large and open financial markets should be better able to provide additional capital in the case of protectionist policy shocks. In the context of the Gabaix and Maggiori (2015) model, countries with small and narrow financial markets will have a hard time to attract foreign investors willing to invest in the currency hit by an expected reduction of net exports, leading to higher protectionist premiums in those currencies. We therefore expect that countries with a higher degrees of financial market openness can better mitigate the protectionist negative pressure on their currencies during debates.

We measure the financial openness of a country by the sum of foreign assets and liabilities (portfolio equity and foreign direct investments) to GDP by using data from the External Wealth of Nations database by Lane and Milesi-Ferretti (2007, 2017). Foreign direct investments summarize controlling stakes by domestic firms in overseas’ affiliates and portfolio investments are holdings

by domestic residents of stocks or bonds issued by nonresident entities. Financially open countries show an average openness of 79.97% to GDP, while less financially open countries have an average of 22.62% to GDP.

We do not find evidence for a significant difference in the impact of protectionist shocks on currency returns for open versus closed countries as the interaction coefficient is insignificant throughout the debate night (see [Figure 10](#)).

Size of Financial System. Since the crises of the 1990s, financial markets in developing and emerging economies have expanded and become more liquid, improving their resilience to capital flow volatility ([Tang et al., 2022](#)). The growth of local currency bonds has reduced currency mismatches by allowing governments to borrow domestically, making them less vulnerable to runs and currency crises. However, despite these developments, EMEs remain vulnerable to capital flow and exchange rate swings, as seen during the Covid-19 pandemic, which triggered sharp depreciations, portfolio outflows, and asset price declines ([Wooldridge, 2020](#)). We hypothesize that a larger financial market can reduce the protectionism-induced negative pressure on exchange rates during debates.

To test this hypothesis, we measure the size of the financial system by the sum of deposit money bank assets and stock market capitalization to GDP (%). The data is provided by the Financial Structure Database ([Beck et al., 2000, 2009; Čihák et al., 2012](#)). Countries with large financial systems have an average size of 136.57% to GDP, while countries with small financial systems have an average size of 44.56% to GDP.

[Figure 12](#) shows the evolution of the interaction coefficients β_{15} in [Eq. 5](#) for large and small financial systems –capturing $Debate_{t,T} \times \Delta q_{t,T}^{ Protec} \times Exports_{i,t,T} \times FinancialSystem[0,1]_{i,t,T}$ – over the debate night. The results indicate that smaller financial systems are associated with a significantly more pronounced currency depreciation after protectionist shocks. [Figure 13](#) plots the average marginal effects of a one pp increase in the protectionist election probability on returns at 11:00 p.m. for large (left panel) and small (right panel) financial systems. For currencies of countries with large financial systems, we observe an insignificant impact of protectionist shocks. For currencies of countries with small financial systems, we observe a statistically significant positive impact of protectionist shocks on emerging market currency depreciation, with increasing intensity for larger levels of trade integration. Our findings indicate that larger financial systems can better mitigate the impact of protectionist shocks, e.g. by buffering capital outflows and reducing the build-up of risk premia. Smaller capital markets are less resilient to (global) trade shocks, amplifying the impact of a protectionist debate victory on exchange rates.

5.3 Country Risk

Bilateral Financial Exposure. We examine whether a country’s exposure to potential capital flow reversals from US investors following protectionist US trade policies explains heterogeneity in exchange rate movements. [Forbes and Chinn \(2004\)](#) show that trade and financial linkages influence the transmission of shocks to cross-country equity returns. For the financial crisis, [Fratzscher \(2009\)](#) finds that exchange rates of countries with high bilateral financial exposure vis-à-vis the US (measured by portfolio liabilities against the US to GDP) depreciated the most.

Retrenchment of bilateral portfolio holdings may magnify pressure on emerging market currencies. Hence, we expect that currencies of countries with larger bilateral holdings of US securities are more exposed to protectionist US trade policies and depreciate more following debates with protectionist victory. We use country’s portfolio holdings of US securities from Treasury International Capital (TIC) System. The survey shows the market value of foreign portfolio holdings of US securities by type of security. Countries with high US equity holdings have average holdings of 1.45% to GDP, while countries with low US equity holdings have holdings of 0.04% to GDP.

[Figure 14](#) illustrates the interaction coefficient $Debate_{t,T} \times \Delta q_{t,T}^{ Protec} \times Exports_{i,t,T} \times Equity[0, 1]_{i,t,T}$ over the debate night. For many 15 minutes intervals, we observe a positive and significant interaction coefficient indicating that currencies with large bilateral equity exposure experience a significantly more pronounced currency weakening following protectionist shocks than currencies of countries with small bilateral equity exposure. [Figure 15](#) plots the average marginal effects of a one pp increase in the protectionist election probability on returns at 11:00 p.m. for high (left panel) and low (right panel) US equity holdings. For countries with high US equity holdings, we confirm our baseline result of a heavier currency weakening for countries with more intense bilateral trade integration. For countries with low US equity holdings we obtain weak evidence for currency appreciation following protectionist shocks. These results indicate that stronger financial linkages via bilateral equity holdings enhance the exposure towards trade policy uncertainty.

S&P Country Rating. Countries with poor sovereign credit ratings are typically viewed as riskier by investors. In countries with low sovereign solvency, the domestic central bank will more likely accommodate protectionist trade shocks with easier monetary policy, which in turn weakens the domestic currency. Furthermore, outright sovereign debt crises are often accompanied by currency crises ([Bauer et al., 2007](#)). [Della Corte et al. \(2021\)](#) find strong evidence that currency returns are driven by sovereign risk. We therefore expect protectionist shocks to have more pronounced effects on currency returns of countries with poor sovereign credit ratings.

To study the influence of sovereign ratings on exchange rate responses, we use ratings data

from Standard & Poor’s Ratings Services. The scale ranges from the highest rating of 21 [AAA] to the lowest rating of 0 [SD]. Countries with an above (below) median rating have an average rating of 13.71 (8.89). **Figure 16** reveals that the impact of protectionist shocks on currency returns are not significantly different for countries with good or poor sovereign credit ratings.

External Imbalances. **Habib and Stracca (2012)** show that country’s net foreign asset position (NFA) provides a safe have characteristic, i.e., countries with stronger external positions experience a currency appreciation during periods of high global risk aversion and falling stock markets. **Gabaix and Maggiori (2015)** show that currencies of countries with a lower NFA command higher risk premia demanded by international financiers. **Della Corte et al. (2016)** provide evidence that NFA positions are a priced risk factor in currency returns. We expect that currencies of countries with higher NFA are more resilient to unfavorable US trade policies and hence, depreciate less during debates when the protectionist election probability increases.

We use annual foreign assets and liabilities from **Lane and Milesi-Ferretti (2007, 2017)**.⁹ We measure external imbalances – the external capital dependence of a country – with a country’s NFA relative to GDP. Countries with high NFA have an average NFA of -0.187% to GDP, while low NFA countries have an average NFA of -0.72% to GDP.

Figure 18 illustrates the interaction coefficient $Debate_{t,T} \times \Delta q_{t,T}^{ Protec} \times Exports_{i,t,T} \times NFA[0,1]_{i,t,T}$ testing for differences in the protectionism channel for high versus low NFA countries. For many 15 minutes intervals, we find a negative and significant interaction coefficient suggesting that high NFA countries experience less currency weakening along the range of bilateral trade integration than low NFA countries. **Figure 19** plots the average marginal effects of a one pp increase in the protectionist election probability on returns at 11:00 p.m. for high (left panel) and low (right panel) NFA. We find that the marginal effect of low NFA countries shows a steeper slope than for high NFA countries. This finding is consistent with **Gabaix and Maggiori (2015)**. If countries with lower net foreign assets are hit by a protectionist shock, their currencies weaken more along higher trade integration, than currencies of countries with higher NFA. In the face of an expected deterioration of future net exports, investors demand higher risk premia for currencies of countries with an already strained international investment position. Countries with higher NFA are better able to buffer deterioration of future net exports, and thus lower protectionist risk premia are in command.

Current Account Balance. **Fratzscher (2009)** finds that countries with high current account

⁹Foreign assets are the US dollar value of assets a country owns abroad, consisting of portfolio equity and debt investment (divided into portfolio debt and other investments such as loans, deposits, trade credits), foreign direct investment (FDI), financial derivatives, and central bank FX reserves. Foreign liabilities are the US dollar value of domestic assets owned by foreigners and are defined analogously except for currency reserves.

deficits experienced stronger exchange rate reactions during the financial crisis, while those with stronger current accounts faced significantly less depreciation. Similarly, [Habib and Stracca \(2012\)](#) show that countries with better current account positions tend to see currency appreciation during periods of rising global risk aversion and falling stock markets, acting as safe havens. Therefore, we expect that currencies of countries with positive/higher current account balances experience an appreciation pressure in response to expectations about protectionist US trade policies and vice versa for currencies of countries with negative/low current account balances.

To test this, we use the current account-to-GDP ratio from the World Development Indicators provided by the World Bank. Countries with high current accounts balances have an average balance of 0.88% to GDP, while low current account balance countries have an average balance of -8.14% to GDP.

[Figure 20](#) illustrates the interaction effect testing for differences in the impact of protectionist shocks for low versus high current account balance countries. [Figure 21](#) plots the average marginal effects of a one pp increase in the protectionist election probability on returns at 11:00 p.m. for high (left panel) and low (right panel) current account balances to GDP. The interaction coefficient remains largely insignificant throughout the debate night, indicating no significant difference of the impact of protectionist shocks for low versus high current account balance countries. Our results suggest that sound current account positions do not help to mitigate adverse effects of expected protectionist US trade policies on the domestic currency.

5.4 Trade Openness

Free Trade Agreements. [de Boer et al. \(2024\)](#) show that the heterogeneous transmission of debate outcomes on exchange rates via export integration is not driven by free trade agreements (FTA) with the US for a large sample of developed countries and emerging markets. We want to test whether the results also hold in a sample of only emerging market economies. Therefore, we use country's in force FTA with the US from the Office of the United States Trade Representative.

[Figure 22](#) illustrates the interaction coefficients on the impact of FTA on exchange rate responses to changes in the protectionist candidate's election probability, conditional on countries' exports to the US, $Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} \times FTA[0,1]_{i,t,T}$. [Figure 23](#) plots the average marginal effects of a one pp increase in the protectionist election probability on exchange rate returns at 11:00 p.m. for countries with and without in force FTA with the US. The interaction coefficient is positive and significant for most 15 minutes intervals after the debate, indicating that closer trade integration via FTAs intensifies depreciation pressure after protectionist shocks for increasing levels of exports to GDP. The margins plots reveal that for countries with FTA, protectionist shocks only lead to depreciation pressure, when exports to the US exceed 5 percent of GDP.

For high levels of exports to the US, protectionist shocks exert more pronounced depreciation pressure on FTA countries than for non-FTA countries. A possible interpretation is that FX investors anticipate that protectionist measures may only be imposed on FTA countries, if bilateral trade is sufficiently high to justify violation of the FTA. Different than [de Boer et al. \(2024\)](#), we show that emerging markets and developing countries with a FTA with the US experience increasing depreciation pressure on their currencies, particularly for highly trade-integrated economies.

5.5 Level of Development

GDP per Capita. Next, we look for heterogeneous effects of the protectionism channel by accounting for the level of development of countries using GDP p.c. taken from the World Development Indicators.

[Figure 24](#) plots the interaction coefficient of GDP per capita on exchange rate responses to changes in the protectionist candidate’s election probability, conditional on a country’s exports to the US, $Debate_{t,T} \times \Delta q_{t,T}^{ Protec} \times Exports_{i,t,T} \times GDPpc[0, 1]_{i,t,T}$. [Figure 25](#) plots the average marginal effects of a one pp increase in the protectionist election probability on returns at 11:00 p.m. for high (left panel) and low (right panel) GDP per capita. We do not find significant interaction effects, indicating that a country’s development level does not shape the impact of protectionist shocks on the exchange rate.

5.6 Political Stability

Political Stability. Political risk may add to the priced protectionism premium as the political reaction to foreign trade losses caused by the protectionist shock becomes more uncertain. [Beckmann and Czudaj \(2017\)](#) find that higher levels of political uncertainty are associated with wider exchange rate forecasts. Analyzing political business cycles, [Eichler and Roevekamp \(2018\)](#) find no evidence that currency risk is driven by political risk around elections. To assess the political stability of countries, we use political risk rating by the International Country Risk Guide (ICRG). We focus on the ratings on government stability.¹⁰ Countries with an above median rating have a value of 9.37 and countries with a below median rating have a value of 6.83. We expect that currencies of countries with a higher rating are better able to deal with expectations about unfavorable US trade policies and hence, depreciate less during debates when the protectionist election probability increases.

[Figure 26](#) illustrates the interaction effect of government stability for the exchange rate responses to changes in the protectionist candidate’s election probability, conditional on a country’s

¹⁰The metric evaluates a government’s capacity to implement its policies and remain in office with 12 points. The risk rating is determined by three sub-components, each scored from 0 to 4, where 4 indicates low risk and 0 represents high risk. The sub-components are government unity, legislative strength, and popular support.

exports to the US. For several 15 minutes intervals after the debate, we find a negative and significant interaction coefficient. This confirms our hypothesis that protectionist shocks lead to more depreciation pressure in countries with low levels of government stability. The corresponding margins plots illustrate that for countries with high levels of government stability, protectionist shocks have largely insignificant effects on the exchange rate. For countries with low government stability, we confirm our baseline results. The results suggest that stronger political institutions can mitigate exchange rate sensitivity to expected unfavorable trade policies and provide a buffer, reducing the impact of rising protectionist risks on exchange rates. For countries with higher political risk, protectionist shocks add to the already prices risk premia and trigger additional uncertainty (retaliatory measures) - causing significant depreciation pressure.

5.7 Geographic Regions

We group the countries in our sample in respective geographic regions to test whether different regions react differently to changes in protectionist election probabilities during presidential debates. The countries of Latin America are Argentina, Brazil, Chile, Colombia, the Dominican Republic, Haiti, Mexico, Paraguay, Peru, Suriname, Uruguay. Asia-Pacific countries are Azerbaijan, Indonesia, Kazakhstan, Kyrgyzstan, Malaysia, Mongolia, Nepal, Papua New Guinea, Philippines, Republic of Korea, Sri Lanka, Thailand, Turkey, Uzbekistan, Vanuatu. The countries of Middle East and Africa are Algeria, Angola, Botswana, Burundi, Comoros, Democratic Republic of the Congo, Ethiopia, Gambia, Ghana, Guinea, Iran, Malawi, Mauritania, Morocco, Mozambique, Nigeria, Seychelles, Sierra Leone, South Africa, Sudan, Tanzania, Tunisia, Uganda, Yemen, Zambia. European countries are Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Macedonia, Malta, Moldova, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Ukraine.

Figure 28 shows the evolution of the interaction coefficients β_{15} in Eq. 5 throughout the debate night across regions, capturing $Debate_{t,T} \times \Delta q_{t,T}^{ Protec} \times Exports_{i,t,T} \times Region[0,1]_{i,t,T}$. Among the regions, Europe exhibits the strongest and most volatile exchange rate reaction, though the estimates remain statistically insignificant. Similarly, the results for Middle Eastern and African currencies lack statistical significance. For Latin America, the interaction term is significantly positive, suggesting that currencies in these countries face significantly higher depreciation pressure following protectionist shocks than other regions, along the range of bilateral exports to the US. For Asia-Pacific countries, the interaction coefficient is negative and significant, indicating that protectionist shocks exert significantly lower depreciation pressure than for other regions.

In a nutshell, Latin American countries appear to have the strongest exposure to protectionist shocks. This result may reflect these countries' geographic proximity to the US, their strong trade

and financial integration with the US, as well as a long track record in currency instability in this region.

6 Conclusion

This paper provides empirical evidence on how expectations of US protectionist trade policies influence emerging market exchange rates. Leveraging the framework of [de Boer et al. \(2024\)](#), we use intraday data from US presidential debates to identify the causal effect of shifts in election probabilities on currency returns. Our findings reveal a negative unconditional debate effect, meaning that, on average, currencies depreciate after a debate. The magnitude of depreciation is stronger for countries with greater bilateral exports to the US. When pricing the potential impact of protectionist policies, investors recognize 'skin in the game', i.e. the amount of net exports at risk is important when pricing the protectionism risk premium.

We further show that policy instruments and macroeconomic fundamentals condition the extent of exchange rate responses to protectionist shocks. Countries with higher FX reserves, more restrictive capital controls, larger financial systems, and higher net foreign assets exhibit greater resilience to protectionist policy expectations, as these buffers mitigate speculative pressures and capital outflows. Conversely, open economies with low FX reserves and higher foreign debt experience greater currency depreciation following debate victory of the protectionist candidate. Our findings emphasize that protectionist policy expectations are a key driver of emerging market exchange rate movements, particularly for highly US-export-dependent economies. A policy mix of capital account management, FX reserve accumulation, limiting foreign debt, and political stability may help to avoid excessive currency depreciation in the face of protectionism. Our results underscore the importance of external risk management for emerging markets, as trade policy shifts in major economies can have significant spillover effects on financial stability.

Table 1: Unconditional debate effect. The table shows the results of the OLS model of daily panels of exchange rate returns in 15-minute-windows on a dummy variable $Debate_{i,t,T}$ that takes a value of 1 on days of presidential debates and 0 otherwise, $r_{i,t,T} = \alpha_0 + \beta_1 \times Debate_{i,t,T} + \alpha_1 + \gamma_a + \varepsilon_{i,t,T}$. Exchange rate returns of currency i at day t are calculated as $r_{i,t,T} = \ln(s_{i,t,T}) - \ln(s_{i,t,9:00p.m.})$ with expanding T by 15-minute-windows. A negative coefficient denotes a depreciation of the US dollar against foreign currencies. The results are given in percentage points. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries. In the baseline model (I), we account for country fixed effects and year fixed effects, the regression models (II) contain country fixed effects and month fixed effects, and the regression models (III) contain country fixed effects and year fixed effects with standard errors clustered on country and year. The p-values (in parentheses) are based on robust standard errors. *, **, and *** denote significance at the 10%, 5%, and 1% level, respectively.

[illegible]

Table 2: Impact of protectionism conditional on exports to US. The table shows results of the OLS model of daily panels of exchange rate returns in 15-minute-windows on the interaction of changes in the protectionist candidates' election probability with country's exports to the US (scaled by GDP), $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \alpha_i + \gamma_t + \varepsilon_{i,t,T}$. Exchange rate returns of currency i at day t are calculated as $r_{i,t,T} = \ln(s_{i,t,T}) - \ln(s_{i,t,9:00p.m.})$ with expanding T by 15-minute-windows and are matched with changes in election probabilities. A positive coefficient denotes a depreciation of the foreign currencies against the US dollar and vice versa. The results are given in percentage points. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging market and developing countries. In the baseline model (I), we account for country fixed effects and year fixed effects, the regression models (II) contain country fixed effects and month fixed effects, and the regression models (III) contain year fixed effects with standard errors clustered on country and year. The p-values (in parentheses) are based on robust standard errors. *, **, and *** denote significance at the 10%, 5%, and 1% level, respectively.

Return at T	21:15	21:30	21:45	22:00	22:15	22:30	22:45	23:00	23:15	23:30	23:45	00:00
(I)												
Debate (D)	0.0048 (0.0054)	-0.0072 (0.0059)	-0.0074* (0.0038)	-0.0081** (0.0037)	-0.0113 (0.0071)	-0.0117** (0.0056)	-0.0117*** (0.0042)	-0.0067 (0.0051)	-0.0061 (0.0069)	-0.0064 (0.0063)	-0.0134** (0.0065)	-0.0096** (0.0048)
Exports to US (Exp)	0.0008 (0.0006)	0.0006 (0.0007)	0.0001 (0.0004)	0.0003 (0.0003)	-0.0001 (0.0008)	-0.0004 (0.0009)	0.0005 (0.0011)	0.0003 (0.0003)	-0.0001 (0.0010)	-0.0005 (0.0011)	-0.0016 (0.0014)	-0.0002 (0.0005)
D $\times$ Exp	-0.0006 (0.0005)	0.0000 (0.0007)	-0.0002 (0.0005)	0.0001 (0.0010)	-0.0015 (0.0011)	-0.0009 (0.0014)	0.0001 (0.0008)	-0.0003 (0.0006)	-0.0011 (0.0008)	-0.0013* (0.0007)	-0.0007 (0.0012)	-0.0010 (0.0006)
D $\times$ Δq^{Dem}	-0.0081** (0.0038)	-0.0007 (0.0018)	0.0043*** (0.0016)	0.0000 (0.0019)	-0.0012 (0.0030)	0.0015 (0.0014)	0.0025** (0.0012)	0.0034*** (0.0011)	0.0047 (0.0032)	0.0015 (0.0020)	-0.0009 (0.0022)	0.0027 (0.0019)
D $\times$ $\Delta q^{Dem} \times$ Exp	0.0002 (0.0004)	-0.0002 (0.0004)	-0.0009** (0.0003)	-0.0007*** (0.0002)	-0.0009** (0.0003)	-0.0015*** (0.0002)	-0.0022*** (0.0002)	-0.0020*** (0.0002)	-0.0031*** (0.0004)	-0.0029*** (0.0002)	-0.0028*** (0.0003)	-0.0024*** (0.0003)
D $\times$ Δq^{Protec}	0.0079** (0.0037)	-0.0038** (0.0018)	0.0025 (0.0016)	-0.0009 (0.0016)	-0.0013 (0.0030)	0.0011 (0.0015)	-0.0003 (0.0012)	0.0004 (0.0013)	0.0005 (0.0033)	0.0009 (0.0015)	-0.0012 (0.0021)	-0.0011 (0.0015)
D $\times$ $\Delta q^{Protec} \times$ Exp	-0.0003 (0.0004)	-0.0001 (0.0002)	-0.0001 (0.0002)	0.0005** (0.0002)	0.0001 (0.0003)	0.0008** (0.0003)	0.0017*** (0.0003)	0.0017*** (0.0003)	0.0014*** (0.0005)	0.0021*** (0.0003)	0.0022*** (0.0004)	0.0022*** (0.0003)
Constant	0.0002 (0.0013)	0.0024 (0.0016)	0.0034* (0.0018)	0.0009 (0.0011)	0.0046** (0.0022)	0.0063** (0.0026)	0.0056** (0.0026)	0.0028* (0.0016)	0.0081** (0.0032)	0.0090** (0.0035)	0.0114*** (0.0042)	0.0032 (0.0023)
Observations	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592
Currencies	69	69	69	69	69	69	69	69	69	69	69	69
R^2	0.0007	0.0007	0.0006	0.0002	0.0006	0.0009	0.0012	0.0007	0.0013	0.0018	0.0018	0.0011

Table 2 Cont'd.

Return at T	21:15	21:30	21:45	22:00	22:15	22:30	22:45	23:00	23:15	23:30	23:45	00:00
(II)												
Debate (D)	0.0082 (0.0065)	-0.0071 (0.0075)	-0.0082** (0.0036)	-0.0064* (0.0037)	-0.0118 (0.0082)	-0.0123* (0.0063)	-0.0098** (0.0044)	-0.0065 (0.0053)	-0.0074 (0.0071)	-0.0100 (0.0080)	-0.0150* (0.0079)	-0.0091 (0.0060)
Exports to US (Exp)	0.0007 (0.0006)	0.0005 (0.0007)	0.0000 (0.0004)	0.0003 (0.0003)	-0.0002 (0.0008)	-0.0005 (0.0010)	0.0003 (0.0011)	0.0002 (0.0003)	-0.0003 (0.0010)	-0.0007 (0.0012)	-0.0017 (0.0014)	-0.0002 (0.0005)
$D \times \text{Exp}$	-0.0006 (0.0005)	0.0000 (0.0007)	-0.0002 (0.0005)	0.0000 (0.0009)	-0.0015 (0.0011)	-0.0010 (0.0013)	0.0001 (0.0008)	-0.0002 (0.0006)	-0.0011 (0.0008)	-0.0012 (0.0008)	-0.0007 (0.0012)	-0.0010 (0.0006)
$D \times \Delta q^{Dem}$	-0.0089** (0.0038)	-0.0008 (0.0018)	0.0043*** (0.0016)	0.0003 (0.0019)	-0.0012 (0.0025)	0.0013 (0.0014)	0.0027* (0.0014)	0.0033*** (0.0011)	0.0045 (0.0030)	0.0010 (0.0022)	-0.0018 (0.0022)	0.0030 (0.0019)
$D \times \Delta q^{Dem} \times \text{Exp}$	0.0002 (0.0004)	-0.0002 (0.0004)	-0.0009** (0.0003)	-0.0007*** (0.0002)	-0.0009** (0.0003)	-0.0015*** (0.0002)	-0.0022*** (0.0002)	-0.0021*** (0.0002)	-0.0030*** (0.0004)	-0.0029*** (0.0002)	-0.0028*** (0.0003)	-0.0024*** (0.0003)
$D \times \Delta q^{Protec}$	0.0082** (0.0037)	-0.0038** (0.0019)	0.0028* (0.0016)	-0.0004 (0.0016)	-0.0014 (0.0026)	0.0012 (0.0015)	-0.0004 (0.0012)	0.0005 (0.0013)	0.0004 (0.0029)	0.0003 (0.0017)	-0.0017 (0.0020)	-0.0004 (0.0015)
$D \times \Delta q^{Protec} \times \text{Exp}$	-0.0003 (0.0004)	-0.0001 (0.0002)	-0.0001 (0.0002)	0.0005** (0.0002)	0.0001 (0.0003)	0.0008** (0.0003)	0.0017*** (0.0003)	0.0017*** (0.0003)	0.0014*** (0.0005)	0.0021*** (0.0003)	0.0022*** (0.0004)	0.0022*** (0.0003)
Constant	0.0018 (0.0013)	0.0035* (0.0018)	0.0056*** (0.0020)	0.0016 (0.0011)	0.0056** (0.0026)	0.0097*** (0.0028)	0.0088*** (0.0030)	0.0035** (0.0017)	0.0105*** (0.0038)	0.0115*** (0.0040)	0.0148*** (0.0048)	0.0039* (0.0022)
Observations	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592
Currencies	69	69	69	69	69	69	69	69	69	69	69	69
R^2	0.0030	0.0032	0.0032	0.0031	0.0033	0.0039	0.0040	0.0036	0.0051	0.0057	0.0063	0.0042

Table 2 Cont'd.

Return at T	21:15	21:30	21:45	22:00	22:15	22:30	22:45	23:00	23:15	23:30	23:45	00:00
(III)												
Debate (D)	0.0048 (0.0059)	-0.0072* (0.0037)	-0.0074 (0.0054)	-0.0081 (0.0073)	-0.0113 (0.0070)	-0.0117 (0.0070)	-0.0117* (0.0057)	-0.0067 (0.0050)	-0.0061 (0.0065)	-0.0064 (0.0089)	-0.0134 (0.0085)	-0.0096 (0.0078)
Exports to US (Exp)	0.0008 (0.0008)	0.0000 (0.0000)	0.0000 (0.0004)	0.0003 (0.0002)	0.0000 (0.0008)	0.0000 (0.0000)	0.0000 (0.0012)	0.0003 (0.0000)	-0.0001 (0.0013)	-0.0005 (0.0014)	0.0000 (0.0000)	-0.0002 (0.0007)
$D \times \text{Exp}$	-0.0006* (0.0003)	0.0000 (0.0003)	-0.0002 (0.0006)	0.0001 (0.0011)	-0.0015 (0.0009)	-0.0009 (0.0015)	0.0001 (0.0009)	-0.0003 (0.0006)	-0.0011 (0.0007)	-0.0013 (0.0008)	-0.0007 (0.0013)	-0.0010 (0.0009)
$D \times \Delta q^{Dem}$	-0.0081*** (0.0026)	-0.0007 (0.0010)	0.0043 (0.0027)	0.0000 (0.0013)	-0.0012 (0.0007)	0.0015 (0.0011)	0.0025*** (0.0007)	0.0034 (0.0023)	0.0047* (0.0023)	0.0015 (0.0032)	-0.0009 (0.0026)	0.0027 (0.0026)
$D \times \Delta q^{Dem} \times \text{Exp}$	0.0002* (0.0001)	-0.0002 (0.0004)	-0.0009** (0.0004)	-0.0007* (0.0003)	-0.0009* (0.0004)	-0.0015*** (0.0003)	-0.0022*** (0.0002)	-0.0020*** (0.0005)	-0.0031*** (0.0006)	-0.0029*** (0.0006)	-0.0028*** (0.0006)	-0.0024*** (0.0005)
$D \times \Delta q^{Protec}$	0.0079** (0.0033)	-0.0038*** (0.0006)	0.0025 (0.0027)	-0.0009 (0.0014)	-0.0013 (0.0008)	0.0011 (0.0013)	-0.0003 (0.0011)	0.0004 (0.0026)	0.0005 (0.0023)	0.0009 (0.0030)	-0.0012 (0.0023)	-0.0011 (0.0024)
$D \times \Delta q^{Protec} \times \text{Exp}$	-0.0003* (0.0001)	-0.0001 (0.0002)	-0.0001 (0.0002)	0.0005 (0.0003)	0.0001 (0.0004)	0.0008** (0.0003)	0.0017*** (0.0002)	0.0017*** (0.0005)	0.0014** (0.0007)	0.0021*** (0.0006)	0.0022*** (0.0006)	0.0022*** (0.0005)
Constant	0.0001 (0.0017)	0.0003 (0.0018)	0.0010* (0.0005)	-0.0015** (0.0006)	0.0011 (0.0017)	0.0027 (0.0021)	-0.0003 (0.0031)	-0.0027** (0.0009)	-0.0003 (0.0034)	0.0015 (0.0031)	0.0040 (0.0047)	-0.0018 (0.0020)
Observations	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592
Currencies	69	69	69	69	69	69	69	69	69	69	69	69
R^2	0.0027	0.0029	0.0022	0.0011	0.0032	0.0045	0.0052	0.0025	0.0046	0.0069	0.0075	0.0032

Table 3: Descriptive statistics of all variables. This table reports the summary statistics of all variables used in the empirical analysis. The sample period is from January 1996 to December 2016. See [Table A.2](#) for definitions and sources of control variables.

Variable	Obs.	Mean	Std. dev.	Min	Max
$r_{i,t,11:00pm}$	165,578	0	0.15	-11.16	12.35
$\Delta q_{t,11:00pm}^{ Protec}$	165,578	0	0.18	-5.8	5.7
Macroeconomic Characteristics:					
Exports to US/GDP (%)	151,592	2.81	4.67	0.012	23.49
FX Reserves to GDP	165,026	17.68	9.32	0.95	45.94
Capital Outflow Restrictions (Fernández et al., 2015)	112,929	0.51	0.38	0	1
Capital Account Openness (Chinn and Ito, 2006)	158,942	0.17	1.45	-1.93	2.3
Financial Openness	155,403	51.25	51.28	2.68	411.23
Size of Financial System (%)	110,925	90.54	66.33	8.24	322.9
US Equity Holdings	120,328	0.74	1.52	0	9.37
S&P Sovereign Ratings	119,518	11.26	3.02	0	17.2
NFA/GDP	155,403	-0.45	0.39	-2.21	0.23
Current Account/GDP	161,212	-3.63	6.11	-22.4	13.71
FTA with US	0.07	0.26	0	1	
GDP per Capita	152,084	4,646.41	3,631.87	160.8	14,351.21
Government Stability Ratings	141,134	8.07	1.52	3.33	11.42

Table 4: Impact of protectionism conditional on exports to US and high FX reserves to GDP. The table shows results of the OLS model of daily panels of exchange rate returns in 15-minute-windows on the interaction of changes in the protectionist candidates' election probability with country's exports to the US (scaled by GDP), $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$. Exchange rate returns of currency i at day t are calculated as $r_{i,t,T} = \ln(s_{i,t,T}) - \ln(s_{i,t,9:00p.m.})$ with expanding T by 15-minute-windows and are matched with changes in election probabilities. A positive coefficient denotes a depreciation of the foreign currencies against the US dollar and vice versa. The results are given in percentage points. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging market and developing countries. In the baseline model (I), we account for country fixed effects and year fixed effects. The p-values (in parentheses) are based on robust standard errors. *, **, and *** denote significance at the 10%, 5%, and 1% level, respectively.

Return at T	21:15	21:30	21:45	22:00	22:15	22:30	22:45	23:00	23:15	23:30	23:45	00:00
(I)												
Debate (D)	0.0005 (0.0091)	-0.0079 (0.0065)	-0.0070* (0.0038)	-0.0087** (0.0034)	-0.0079 (0.0097)	-0.0112 (0.0074)	-0.0137** (0.0064)	-0.0052 (0.0085)	-0.0053 (0.0102)	-0.0116 (0.0074)	-0.0120 (0.0077)	-0.0102 (0.0080)
Exports to US (Exp)	0.0007 (0.0008)	0.0003 (0.0006)	0.0001 (0.0004)	0.0004 (0.0003)	0.0001 (0.0008)	0.0003 (0.0011)	0.0017 (0.0012)	0.0004** (0.0002)	0.0012 (0.0008)	0.0007 (0.0009)	-0.0004 (0.0007)	0.0003 (0.0004)
D $\times$ Exp	-0.0005 (0.0007)	0.0004 (0.0004)	-0.0005 (0.0004)	-0.0009** (0.0004)	-0.0022** (0.0009)	-0.0022*** (0.0008)	-0.0007 (0.0006)	-0.0010* (0.0006)	-0.0016** (0.0007)	-0.0017*** (0.0005)	-0.0020*** (0.0005)	-0.0017*** (0.0003)
D $\times$ Δq^{Dem}	-0.0089** (0.0038)	-0.0016 (0.0025)	0.0043** (0.0018)	-0.0011 (0.0023)	-0.0020 (0.0034)	0.0005 (0.0015)	0.0016 (0.0014)	0.0024** (0.0012)	0.0022 (0.0037)	0.0006 (0.0021)	-0.0026 (0.0026)	0.0020 (0.0021)
D $\times$ $\Delta q^{Dem} \times$ Exp	0.0002 (0.0005)	-0.0000 (0.0004)	-0.0008** (0.0003)	-0.0005*** (0.0002)	-0.0006* (0.0003)	-0.0012*** (0.0002)	-0.0019*** (0.0003)	-0.0018*** (0.0003)	-0.0026*** (0.0003)	-0.0026*** (0.0002)	-0.0025*** (0.0003)	-0.0022*** (0.0004)
D $\times$ Δq^{Protec}	-0.0017 (0.0047)	0.0019 (0.0021)	0.0022** (0.0017)	0.0003 (0.0010)	0.0028* (0.0025)	0.0011 (0.0016)	0.0026 (0.0016)	0.0074** (0.0017)	0.0028 (0.0032)	0.0038* (0.0020)	0.0008 (0.0021)	0.0013 (0.0013)
D $\times$ $\Delta q^{Protec} \times$ Exp	-0.0005 (0.0003)	-0.0000 (0.0002)	0.0002* (0.0001)	0.0005*** (0.0001)	0.0003 (0.0002)	0.0011*** (0.0001)	0.0020*** (0.0002)	0.0019*** (0.0002)	0.0016*** (0.0003)	0.0023*** (0.0001)	0.0023*** (0.0002)	0.0023*** (0.0002)
High FX Reserves/GDP (FXR)	-0.0039 (0.0031)	-0.0017 (0.0028)	-0.0014 (0.0011)	-0.0014 (0.0010)	-0.0065 (0.0042)	-0.0034 (0.0025)	-0.0020 (0.0020)	-0.0019 (0.0013)	-0.0038 (0.0030)	-0.0036 (0.0023)	-0.0056* (0.0031)	-0.0015 (0.0020)
D $\times$ FXR	0.0084 (0.0105)	0.0036 (0.0105)	-0.0018 (0.0081)	-0.0027 (0.0080)	-0.0099 (0.0133)	-0.0062 (0.0099)	0.0011 (0.0085)	-0.0056 (0.0090)	-0.0034 (0.0143)	0.0083 (0.0128)	-0.0095 (0.0139)	-0.0022 (0.0107)
D $\times$ Δq^{Protec} FXR	-0.0077 (0.0064)	-0.0039 (0.0061)	0.0016 (0.0034)	-0.0066 (0.0041)	-0.0029 (0.0033)	-0.0032 (0.0025)	-0.0023 (0.0023)	-0.0045** (0.0021)	-0.0145** (0.0064)	-0.0036 (0.0037)	-0.0110** (0.0051)	-0.0043 (0.0033)
FXR $\times$ Exp	0.0002 (0.0007)	0.0004 (0.0008)	0.0000 (0.0004)	-0.0001 (0.0003)	-0.0003 (0.0009)	-0.0011 (0.0010)	-0.0018 (0.0012)	-0.0002 (0.0002)	-0.0020 (0.0013)	-0.0018 (0.0012)	-0.0018 (0.0015)	-0.0008 (0.0006)
D $\times$ Exp $\times$ FXR	0.0001 (0.0019)	-0.0021 (0.0032)	0.0014 (0.0014)	0.0042** (0.0019)	0.0030 (0.0031)	0.0056*** (0.0021)	0.0034* (0.0019)	0.0030** (0.0013)	0.0019 (0.0032)	0.0022 (0.0017)	0.0060** (0.0026)	0.0031*** (0.0009)
D $\times$ $\Delta q^{Protec} \times$ Exp $\times$ FXR	0.0007 (0.0007)	-0.0006 (0.0010)	-0.0008 (0.0007)	0.0000 (0.0005)	-0.0009 (0.0008)	-0.0010 (0.0008)	-0.0012* (0.0007)	-0.0006 (0.0004)	-0.0007 (0.0013)	-0.0008 (0.0009)	-0.0002 (0.0010)	-0.0002 (0.0005)
Constant	0.0015 (0.0020)	0.0032* (0.0019)	0.0038** (0.0017)	0.0012 (0.0012)	0.0062** (0.0025)	0.0063** (0.0026)	0.0046* (0.0025)	0.0031** (0.0015)	0.0074*** (0.0026)	0.0085*** (0.0029)	0.0114*** (0.0036)	0.0029 (0.0023)
Observations	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592	151,592
Currencies	69	69	69	69	69	69	69	69	69	69	69	69
R^2	0.0007	0.0007	0.0006	0.0003	0.0007	0.0010	0.0013	0.0008	0.0015	0.0019	0.0020	0.0011

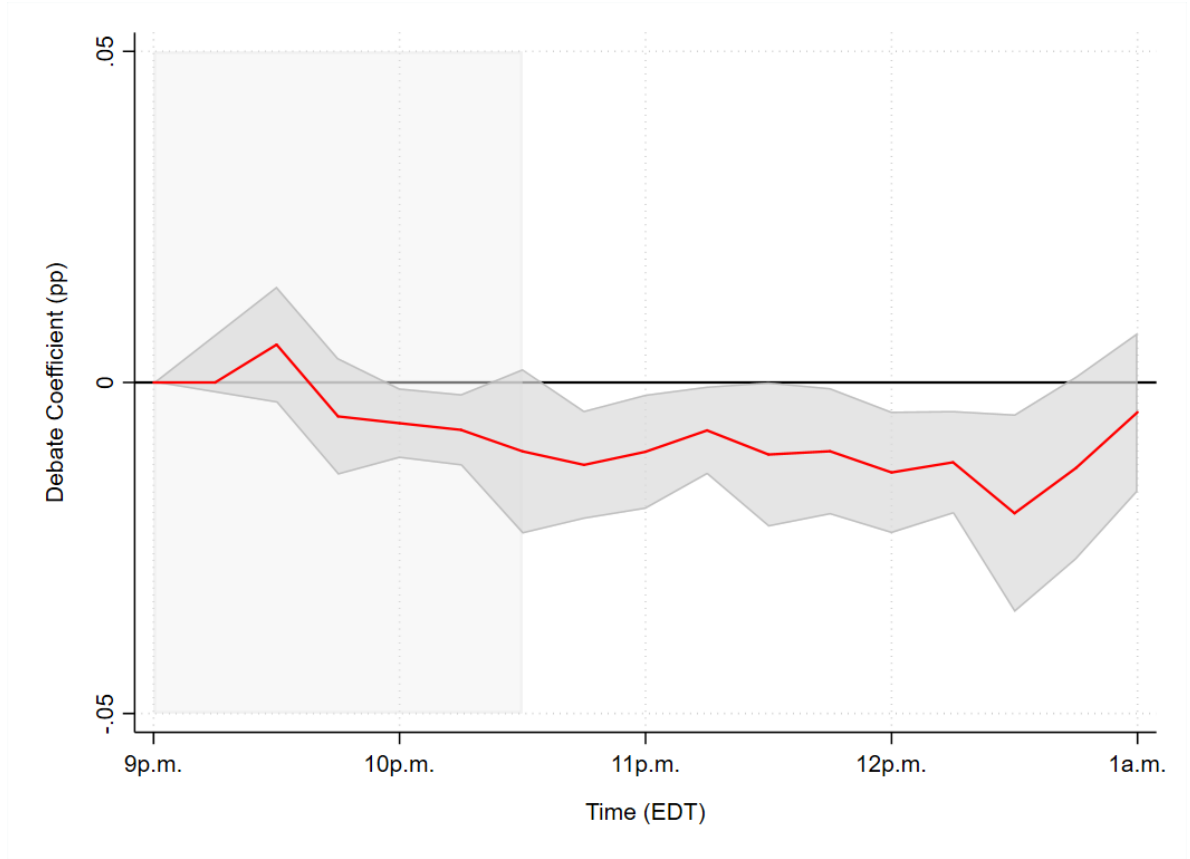


Figure 1: Unconditional debate effect. Plot of the coefficient β_1 from regression $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \alpha_i + \gamma_t + \varepsilon_{i,t,T}$ around US presidential debates (9:00 - 10:30 p.m. EDT) with upper and lower limit in 90%-confidence intervals. The dummy variable $Debate_{t,T}$ takes a value of 1 on days of presidential debates and 0 otherwise. Exchange rate returns of currency i at day t are calculated as $r_{i,t,T} = \ln(s_{i,t,T}) - \ln(s_{i,t,9:00p.m.})$ with expanding T by 15-minute-windows. The spot exchange rates are expressed in the number of foreign currency units one US dollar buys, meaning a negative coefficient denotes a depreciation of the US dollar against foreign currencies. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

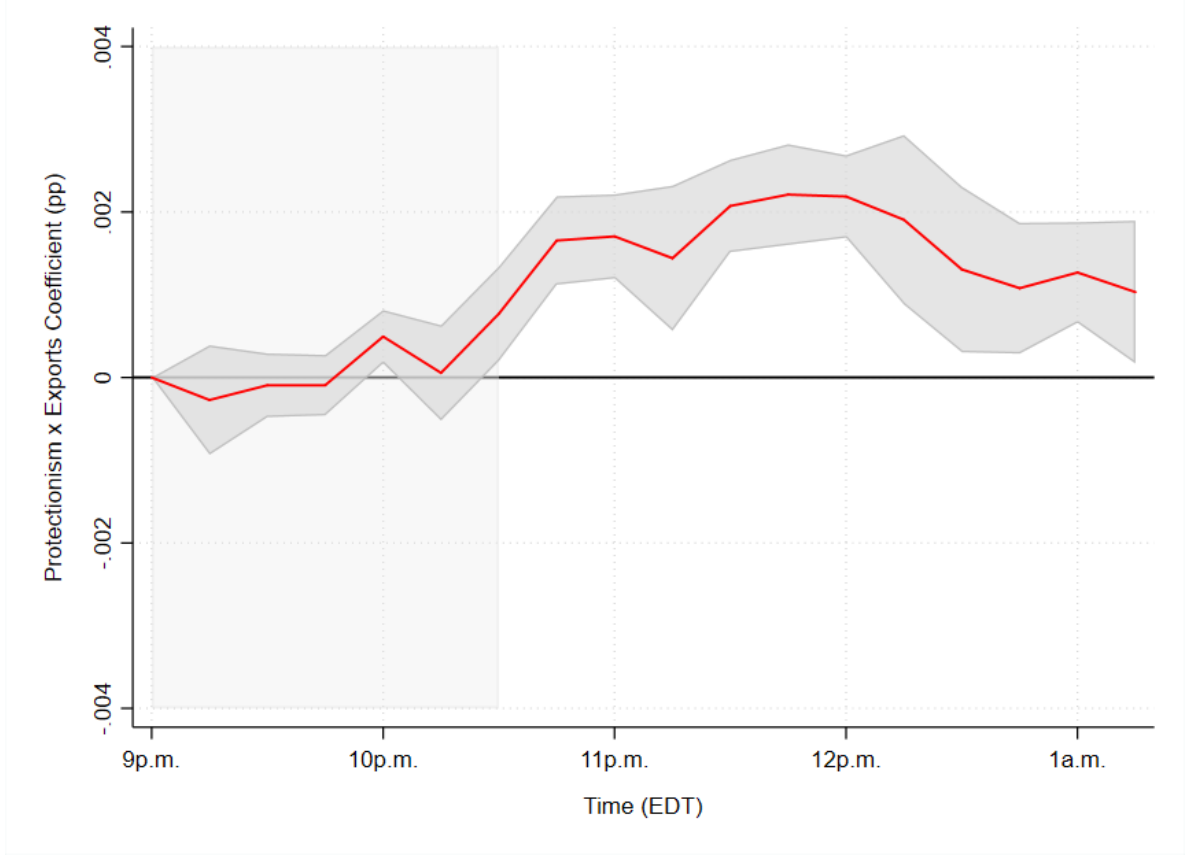


Figure 2: Impact of protectionism conditional on exports to US. Plot of the coefficient β_7 from the regression $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \alpha_i + \gamma_t + \varepsilon_{i,t,T}$ around US presidential debates (9:00 - 10:30 p.m. EDT) with upper and lower limit in 90%-confidence intervals. A positive coefficient denotes a depreciation of the foreign currency against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

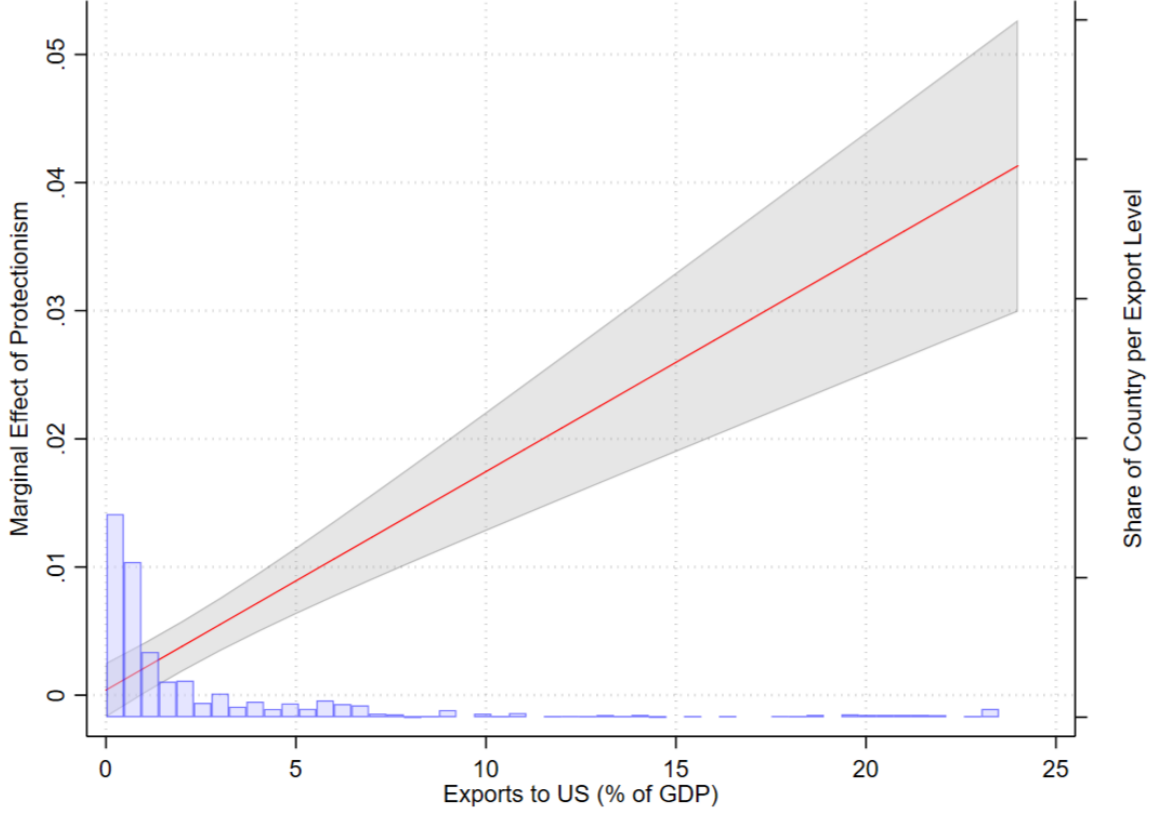


Figure 3: Average marginal effect of protectionism conditional on exports to US. Plot of the average marginal effect of $\Delta q_{t,T}^{Protectionism}$ for different relative export levels. The underlying regression is $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \alpha_i + \gamma_t + \varepsilon_{i,t,T}$ at $T = 11 : 00p.m. EDT$. A positive coefficient denotes a depreciation of foreign currencies against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

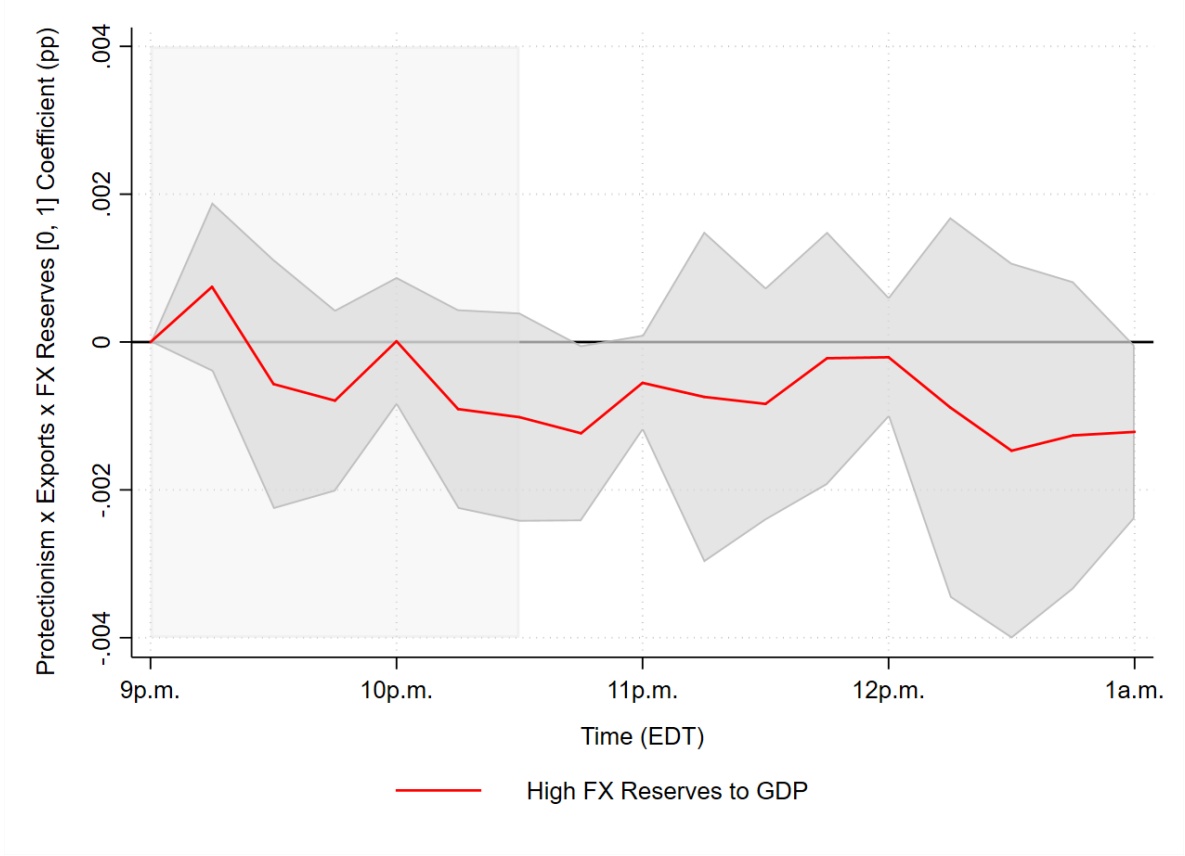


Figure 4: Impact of protectionism conditional on exports to US and FX reserves to GDP. Plot of the coefficient β_{13} from the regression $r_{i,t,T} = \beta_1 \times \text{Debate}_{t,T} + \beta_2 \times \text{Debate}_{t,T} \times \Delta q_{t,T}^{\text{Dem}} + \beta_3 \times \text{Debate}_{t,T} \times \Delta q_{t,T}^{\text{Protec}} + \beta_4 \times \text{Exports}_{i,t,T} + \beta_5 \times \text{Debate}_{t,T} \times \text{Exports}_{i,t,T} + \beta_6 \times \text{Debate}_{t,T} \times \Delta q_{t,T}^{\text{Dem}} \times \text{Exports}_{i,t,T} + \beta_7 \times \text{Debate}_{t,T} \times \Delta q_{t,T}^{\text{Protec}} \times \text{Exports}_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times \text{Debate}_t \times \zeta_{i,t} + \beta_{10} \times \text{Debate}_t \times \Delta q_t^{\text{Protec}} \times \zeta_{i,t} + \beta_{11} \times \text{Trade}_{i,t} \times \zeta_{i,t} + \beta_{12} \times \text{Debate}_t \times \text{Trade}_{i,t} \times \zeta_{i,t} + \beta_{13} \times \text{Debate}_t \times \Delta q_t^{\text{Protec}} \times \text{Trade}_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ around US presidential debates (9:00 - 10:30 p.m. EDT) with upper and lower limit in 90%-confidence intervals. A positive coefficient denotes a depreciation of the foreign currency against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

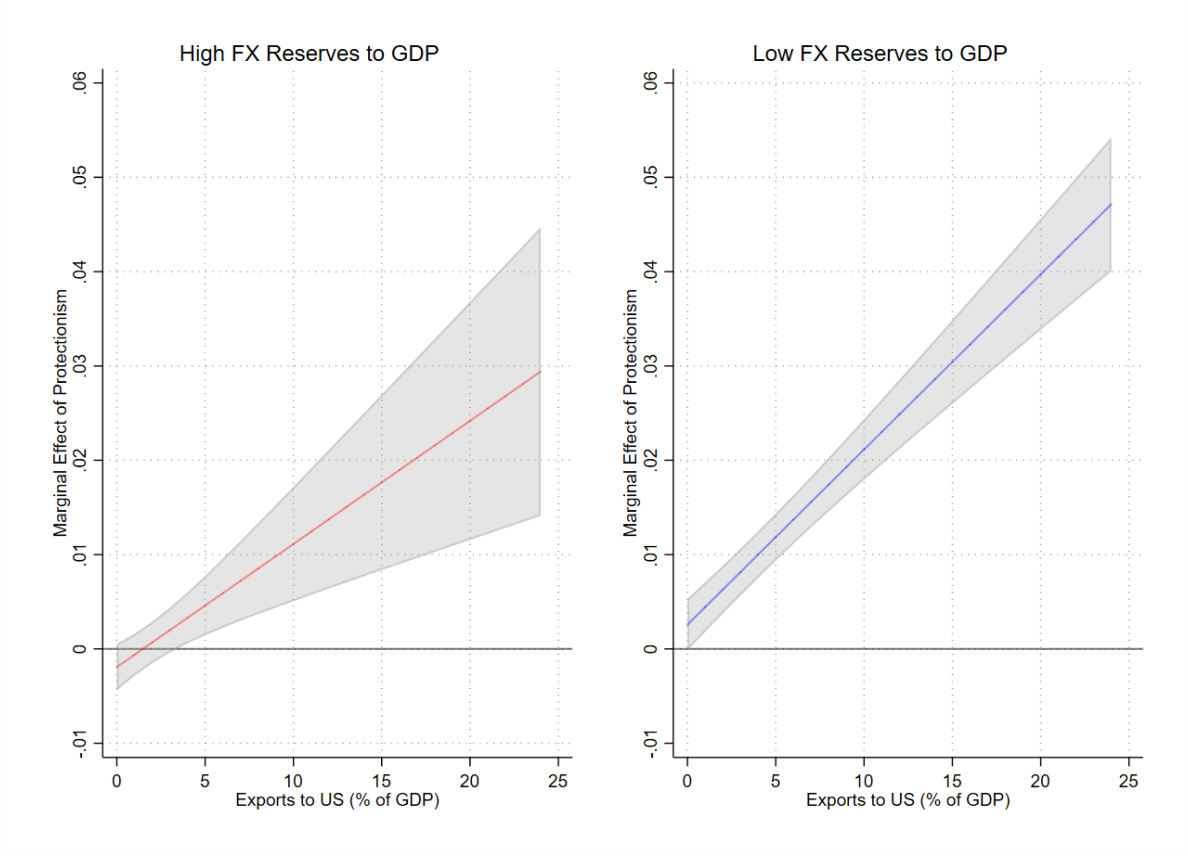


Figure 5: Average marginal effect of protectionism conditional on exports to US and FX reserves to GDP. Plot of the average marginal effect of $\Delta q_{t,T}^{Protectionism}$ for different relative export levels and macroeconomic characteristics. The underlying regression is $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ at $T = 11 : 00p.m. EDT$. A positive coefficient denotes a depreciation of foreign currencies against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

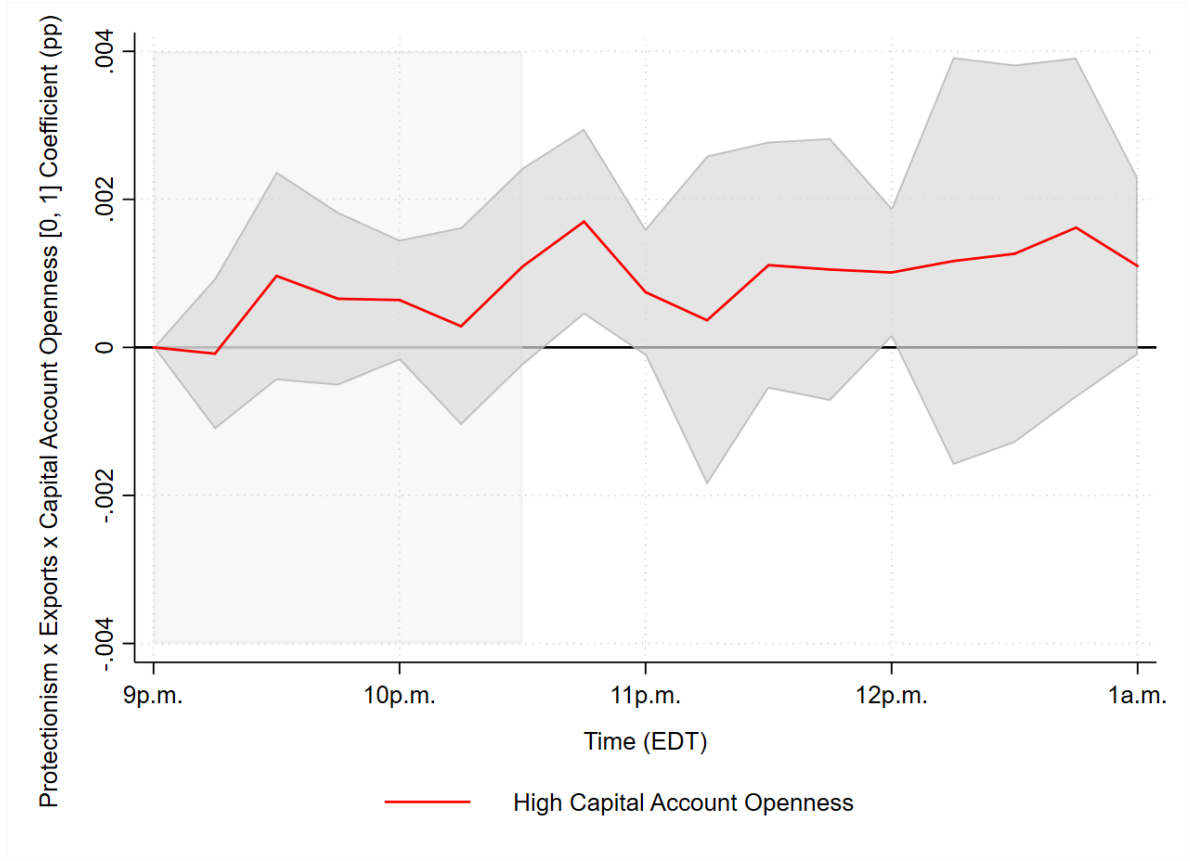


Figure 6: Impact of protectionism conditional on exports to US and capital account openness. Plot of the coefficient β_{13} from the regression $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ around US presidential debates (9:00 - 10:30 p.m. EDT) with upper and lower limit in 90%-confidence intervals. A positive coefficient denotes a depreciation of the foreign currency against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

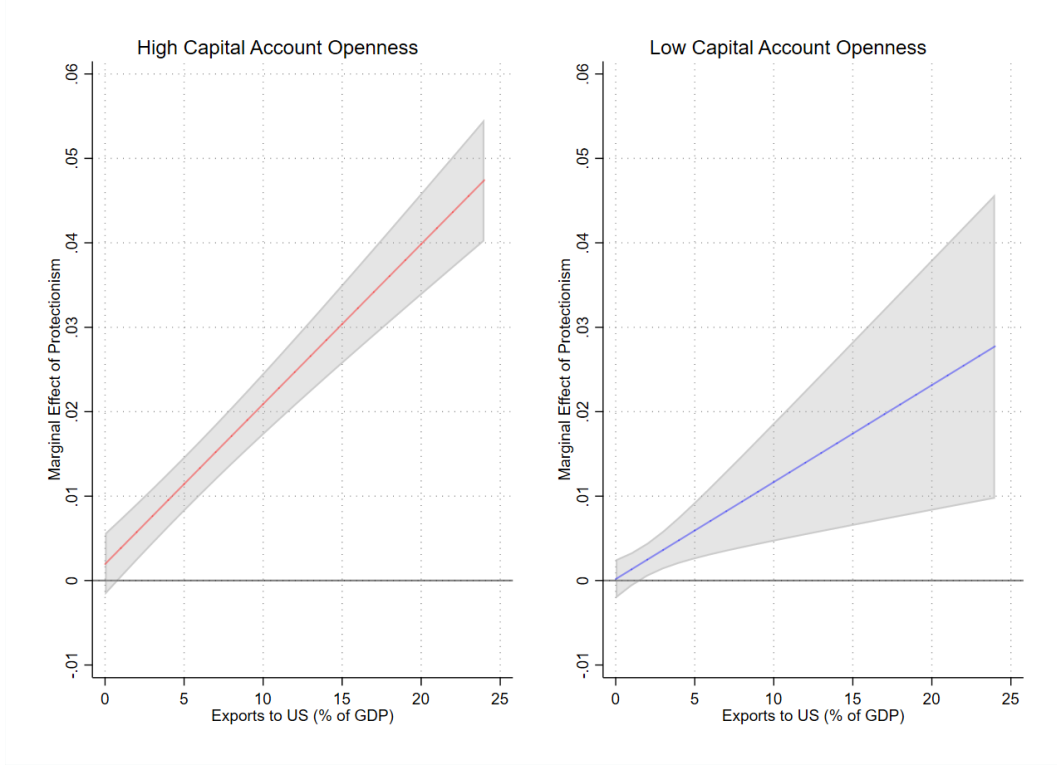


Figure 7: Average marginal effect of protectionism conditional on exports to US and capital account openness. Plot of the average marginal effect of $\Delta q_{t,T}^{Protectionism}$ for different relative export levels and macroeconomic characteristics. The underlying regression is $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ at $T = 11 : 00p.m. EDT$. A positive coefficient denotes a depreciation of foreign currencies against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

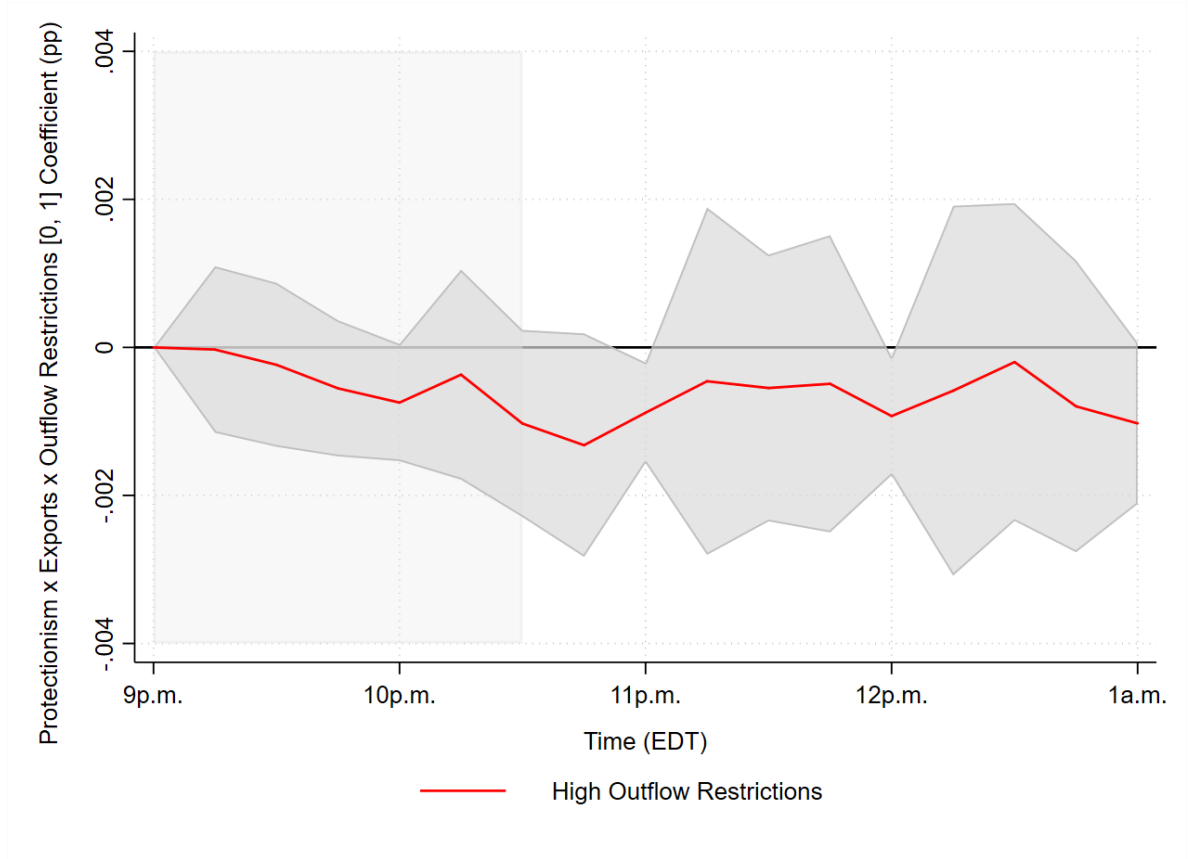


Figure 8: Impact of protectionism conditional on exports to US and capital outflow restrictions. Plot of the coefficient β_{13} from the regression $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ around US presidential debates (9:00 - 10:30 p.m. EDT) with upper and lower limit in 90%-confidence intervals. A positive coefficient denotes a depreciation of the foreign currency against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

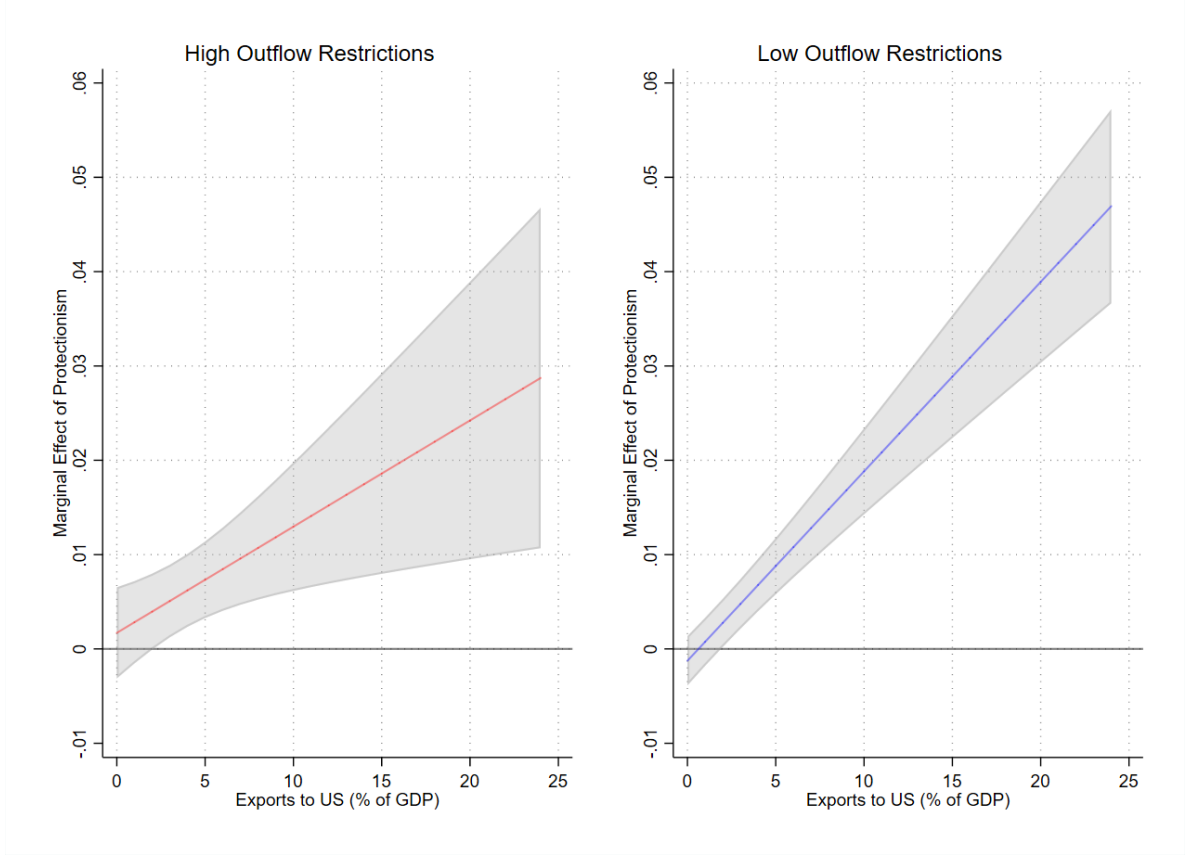


Figure 9: Average marginal effect of protectionism conditional on exports to US and capital outflow restrictions. Plot of the average marginal effect of $\Delta q_{t,T}^{Protectionism}$ for different relative export levels and macroeconomic characteristics. The underlying regression is $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_{t,T} \times \zeta_{i,t} + \beta_{10} \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_{t,T} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ at $T = 11 : 00p.m. EDT$. A positive coefficient denotes a depreciation of foreign currencies against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

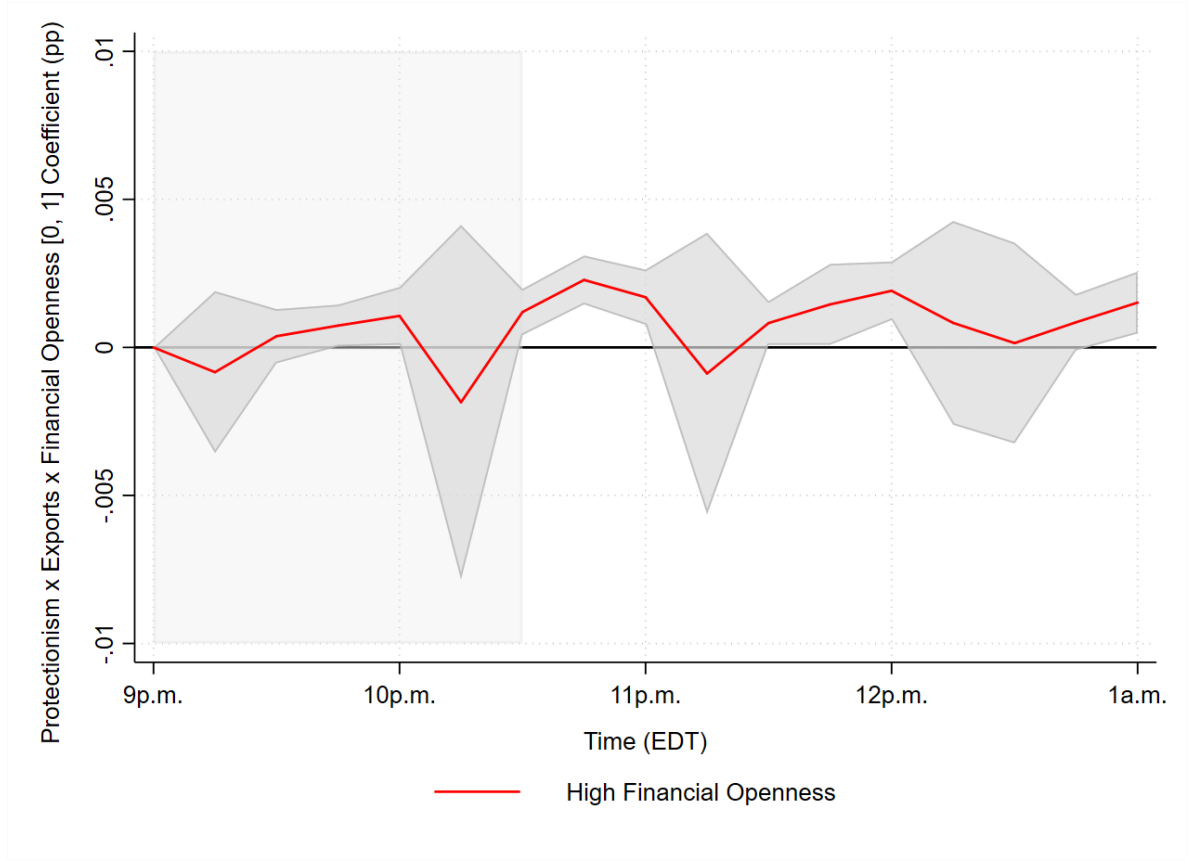


Figure 10: Impact of protectionism conditional on exports to US and financial openness. Plot of the coefficient β_{13} from the regression $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ around US presidential debates (9:00 - 10:30 p.m. EDT) with upper and lower limit in 90%-confidence intervals. A positive coefficient denotes a depreciation of the foreign currency against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

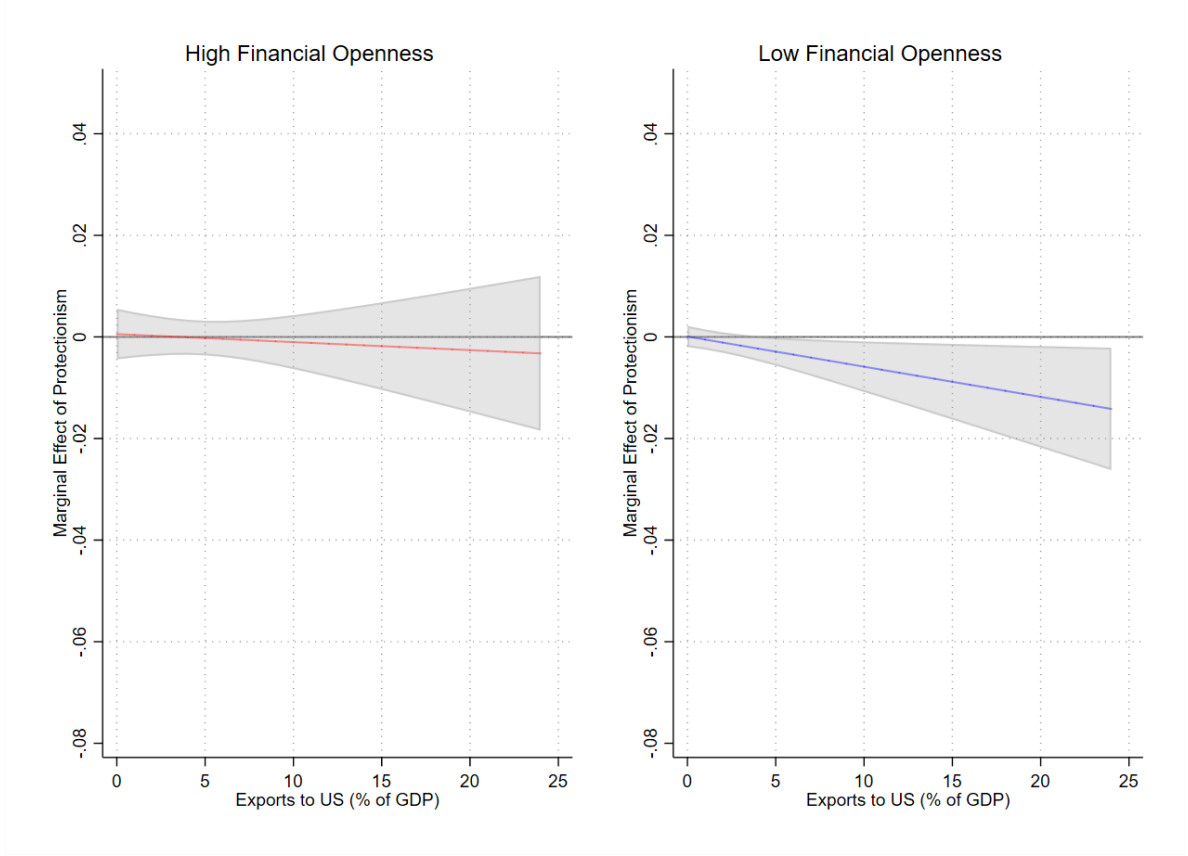


Figure 11: Average marginal effect of protectionism conditional on exports to US and financial openness. Plot of the average marginal effect of $\Delta q_{i,T}^{Protectionism}$ for different relative export levels and macroeconomic characteristics. The underlying regression is $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ at $T = 11 : 00p.m. EDT$. A positive coefficient denotes a depreciation of foreign currencies against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

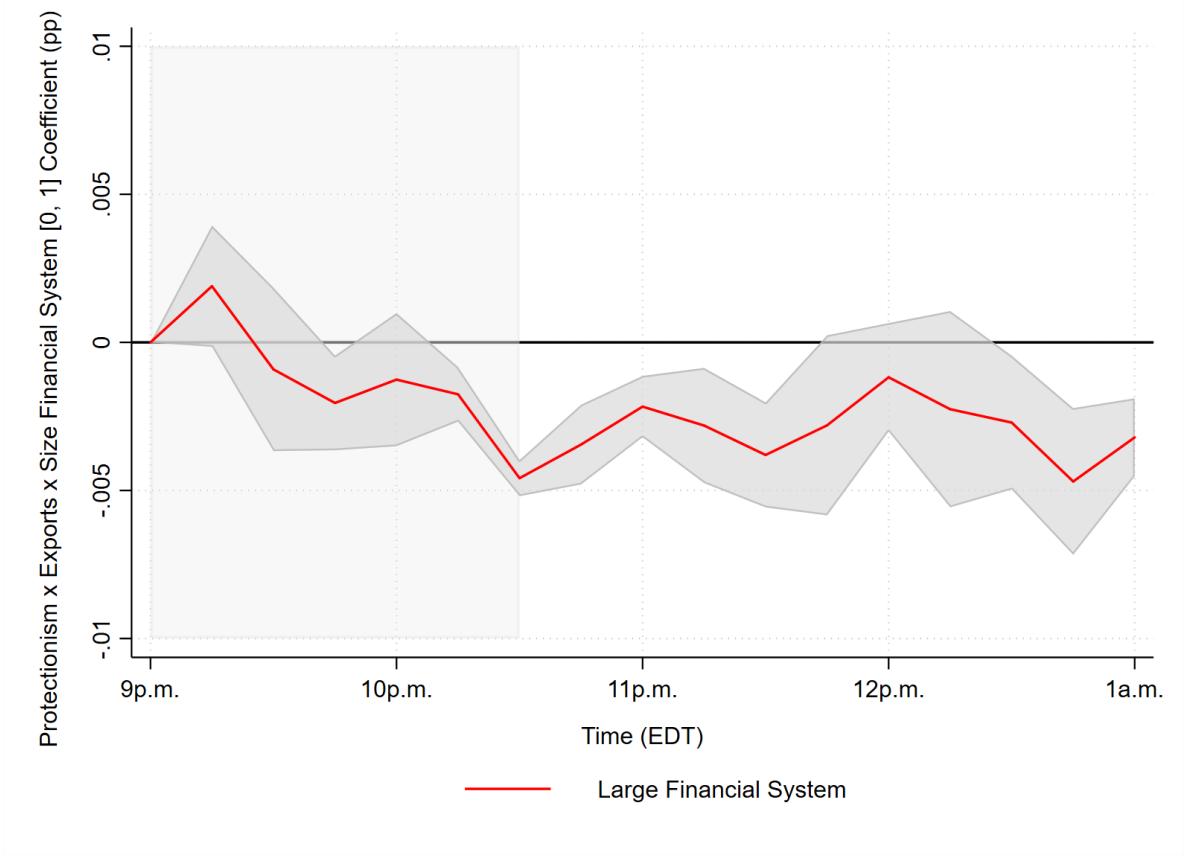


Figure 12: Impact of protectionism conditional on exports to US and size of the financial system. Plot of the coefficient β_{13} from the regression $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ around US presidential debates (9:00 - 10:30 p.m. EDT) with upper and lower limit in 90%-confidence intervals. A positive coefficient denotes a depreciation of the foreign currency against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

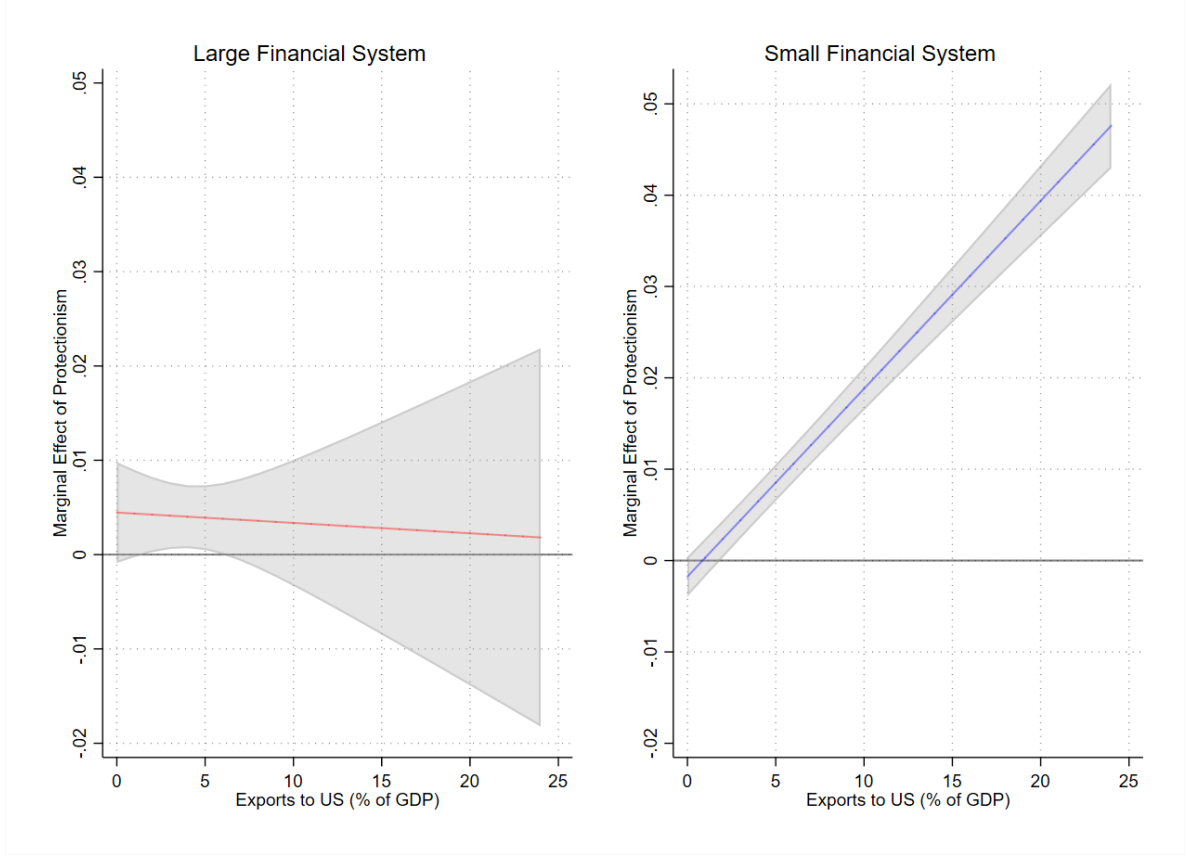


Figure 13: Average marginal effect of protectionism conditional on exports to US and size of the financial system. Plot of the average marginal effect of $\Delta q_{t,T}^{Protectionism}$ for different relative export levels and macroeconomic characteristics. The underlying regression is $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_{t,T}^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_{t,T}^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ at $T = 11 : 00p.m. EDT$. A positive coefficient denotes a depreciation of foreign currencies against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

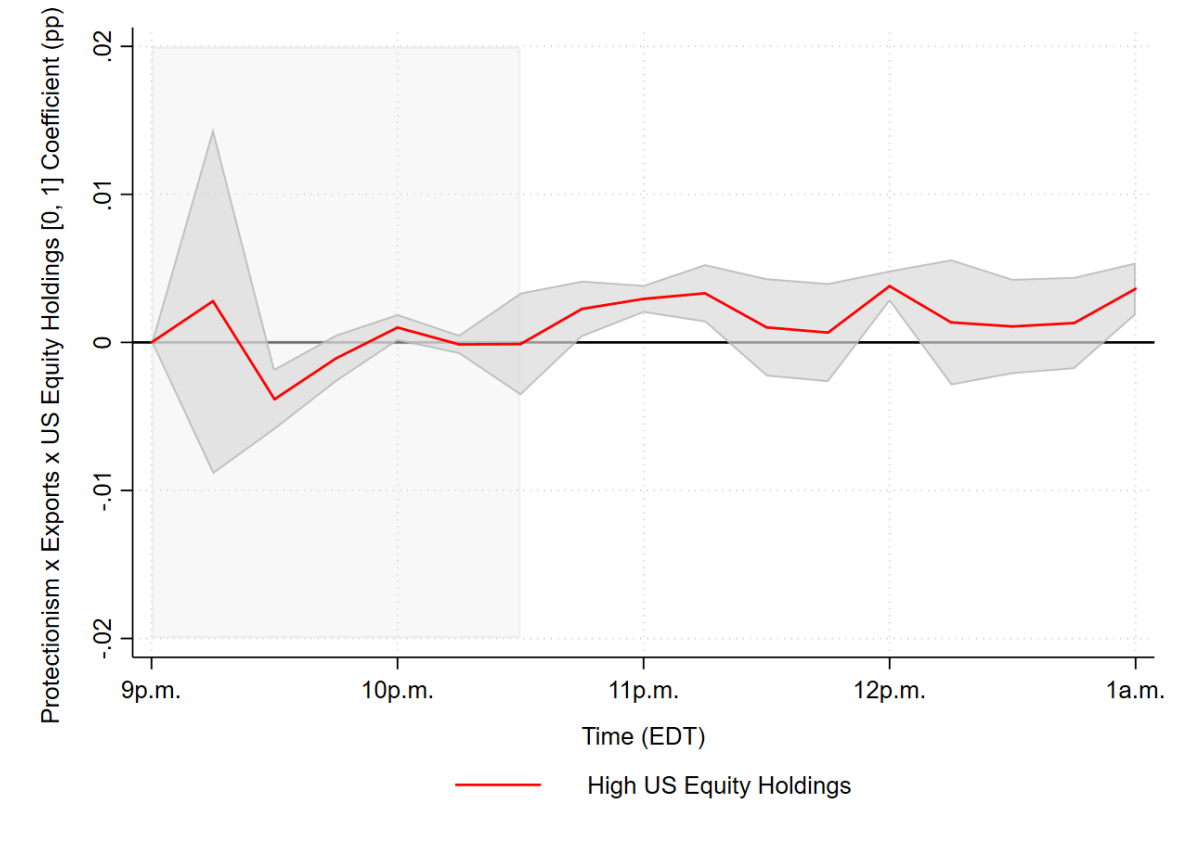


Figure 14: Impact of protectionism conditional on exports to US and US equity holdings. Plot of the coefficient β_{13} from the regression $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ around US presidential debates (9:00 - 10:30 p.m. EDT) with upper and lower limit in 90%-confidence intervals. A positive coefficient denotes a depreciation of the foreign currency against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

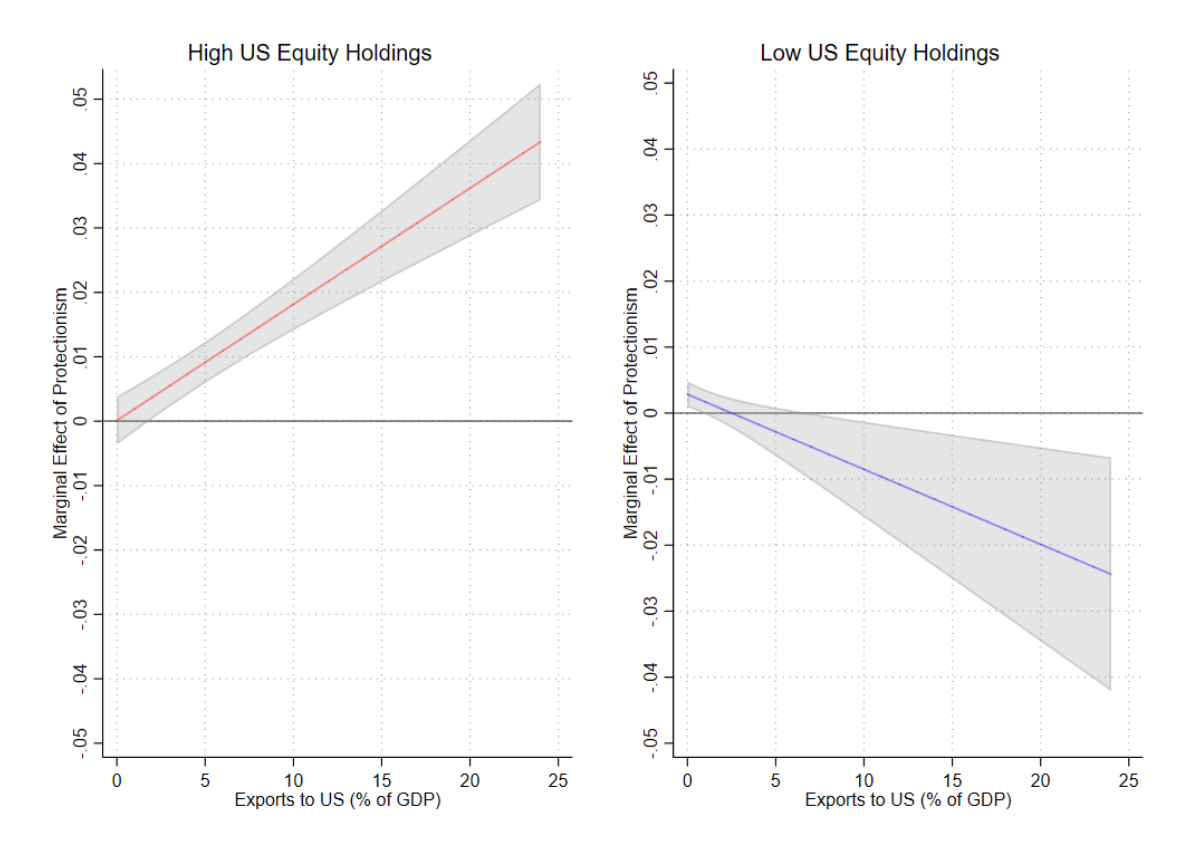


Figure 15: Average marginal effect of protectionism conditional on exports to US and US equity holdings. Plot of the average marginal effect of $\Delta q_{t,T}^{Protectionism}$ for different relative export levels and macroeconomic characteristics. The underlying regression is $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ at $T = 11 : 00p.m. EDT$. A positive coefficient denotes a depreciation of foreign currencies against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

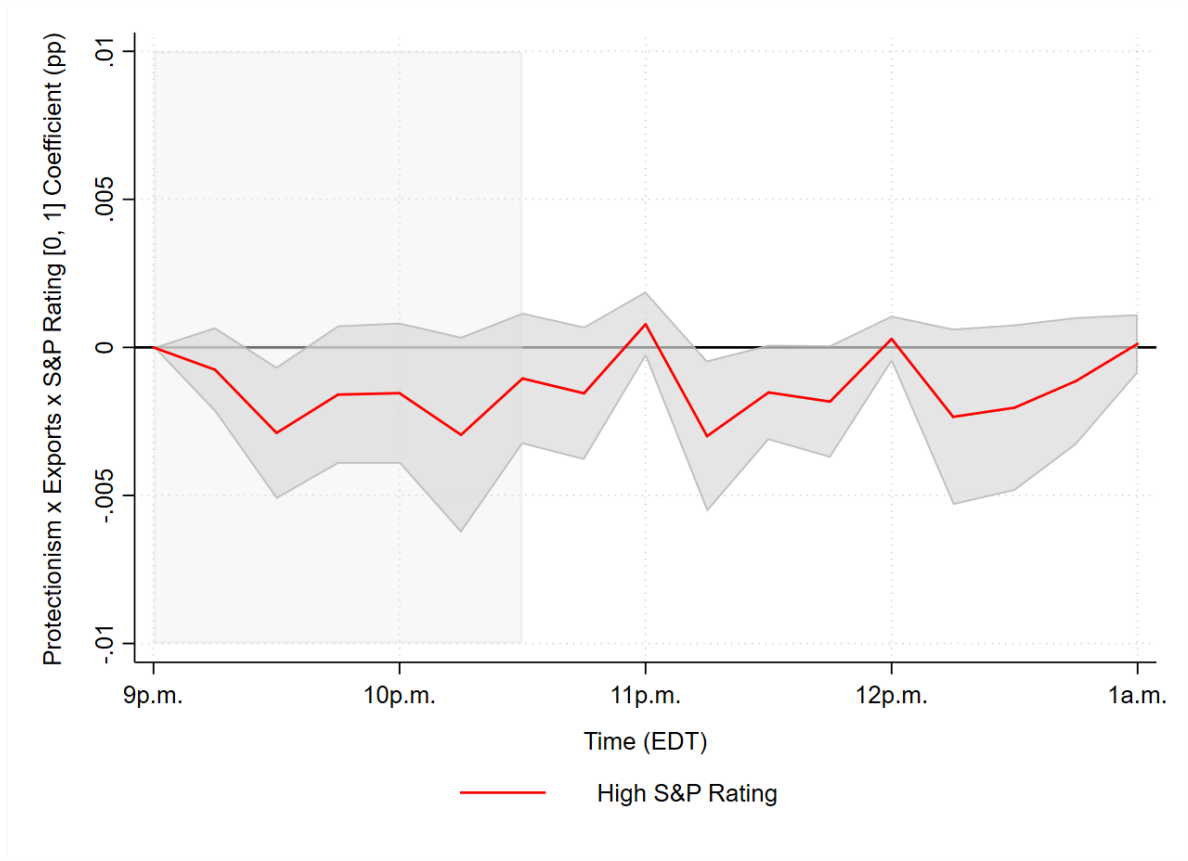


Figure 16: Impact of protectionism conditional on exports to US and S&P sovereign ratings. Plot of the coefficient β_{13} from the regression $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ around US presidential debates (9:00 - 10:30 p.m. EDT) with upper and lower limit in 90%-confidence intervals. A positive coefficient denotes a depreciation of the foreign currency against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

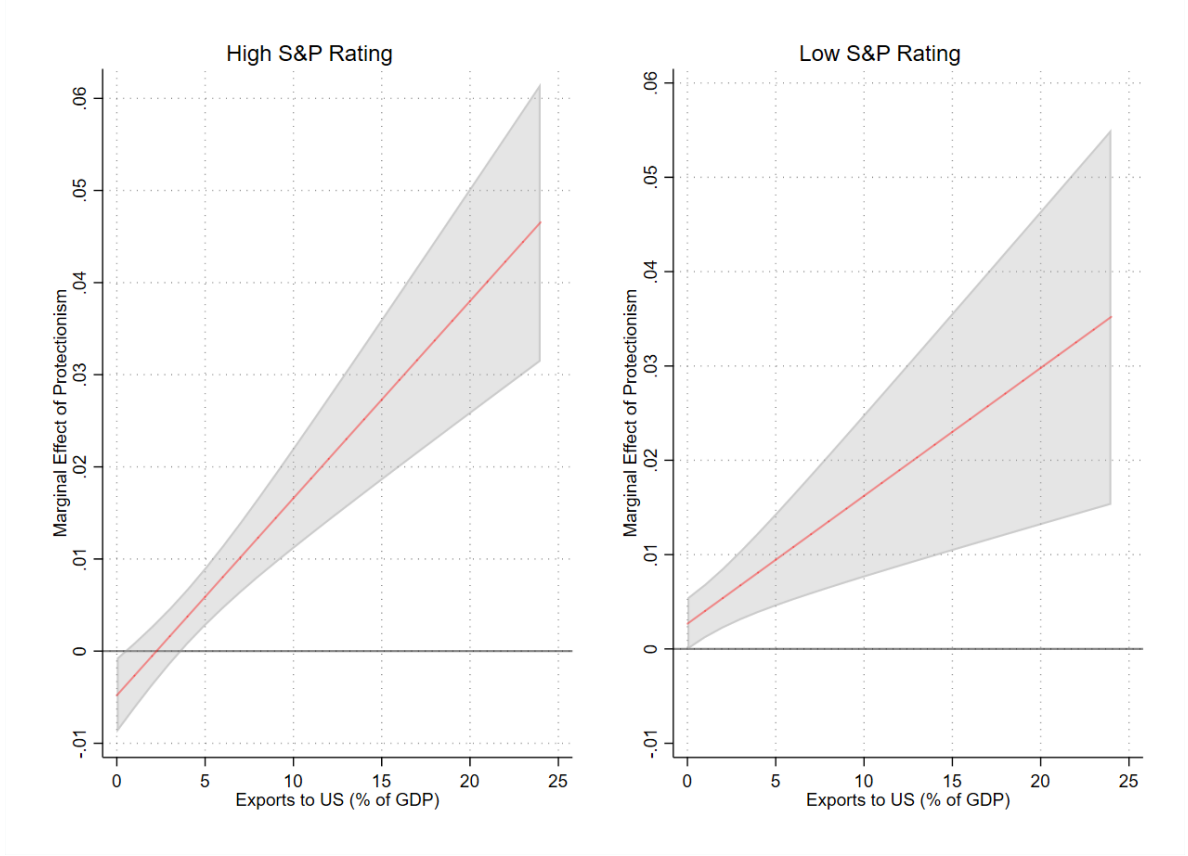


Figure 17: Average marginal effect of protectionism conditional on exports to US and S&P sovereign ratings. Plot of the average marginal effect of $\Delta q_{t,T}^{Protectionism}$ for different relative export levels and macroeconomic characteristics. The underlying regression is $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ at $T = 11 : 00p.m. EDT$. A positive coefficient denotes a depreciation of foreign currencies against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

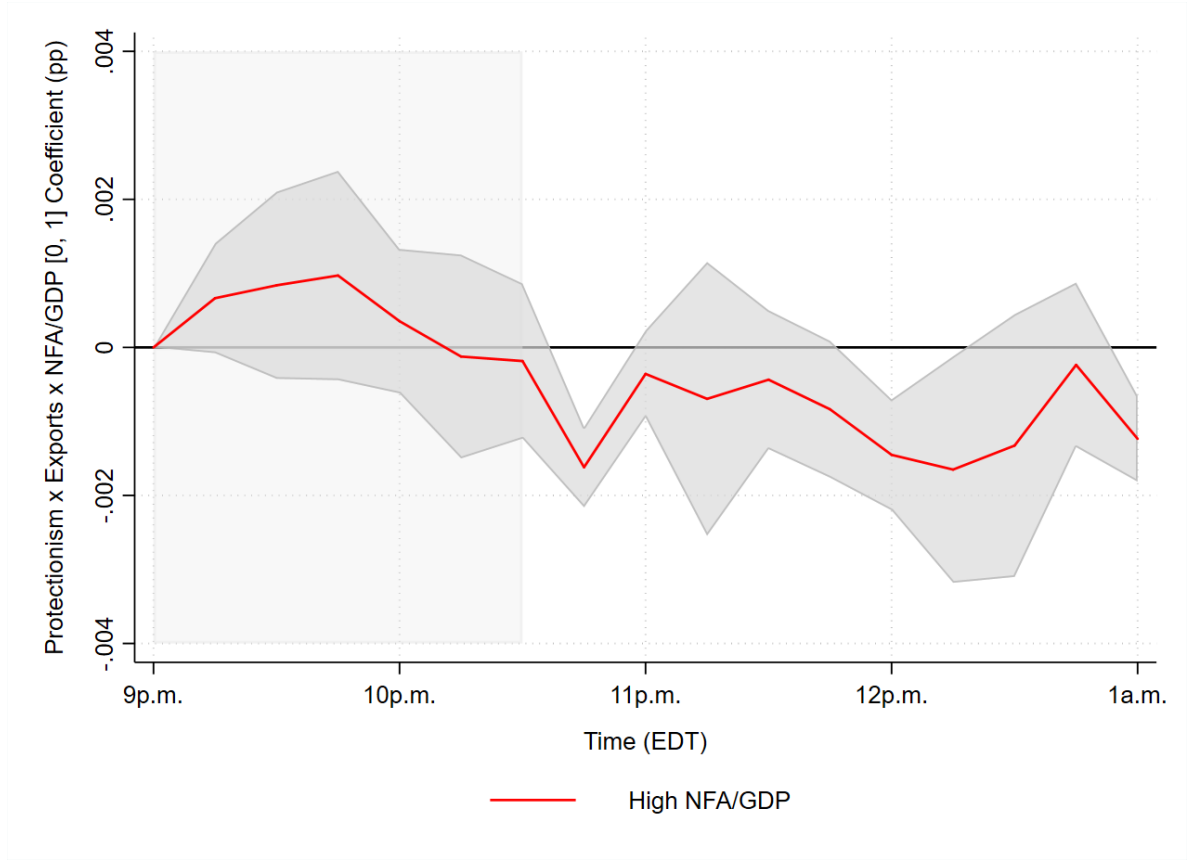


Figure 18: Impact of protectionism conditional on exports to US and NFA/GDP. Plot of the coefficient β_{13} from the regression $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_{t,T}^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_{t,T}^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ around US presidential debates (9:00 - 10:30 p.m. EDT) with upper and lower limit in 90%-confidence intervals. A positive coefficient denotes a depreciation of the foreign currency against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

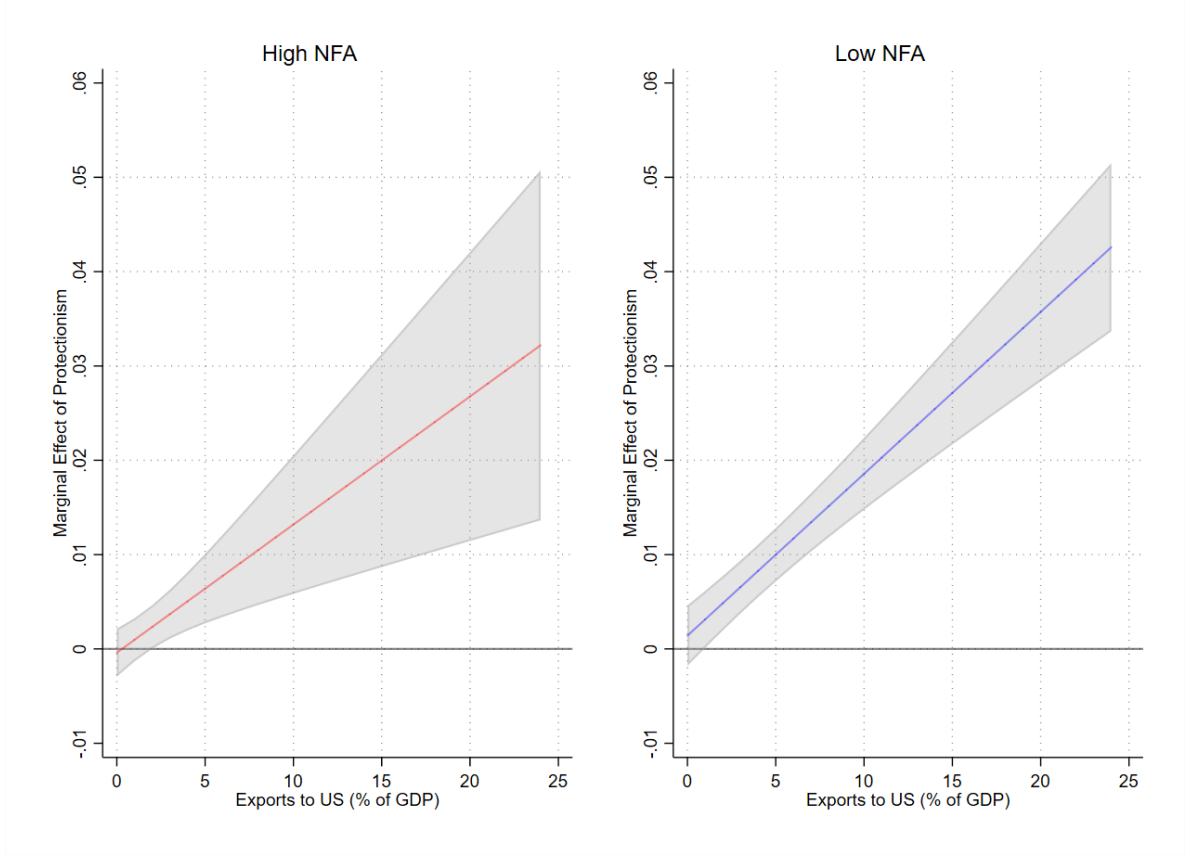


Figure 19: Average marginal effect of protectionism conditional on exports to US and NFA/GDP. Plot of the average marginal effect of $\Delta q_{t,T}^{Protectionism}$ for different relative export levels and macroeconomic characteristics. The underlying regression is $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ at $T = 11 : 00p.m. EDT$. A positive coefficient denotes a depreciation of foreign currencies against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

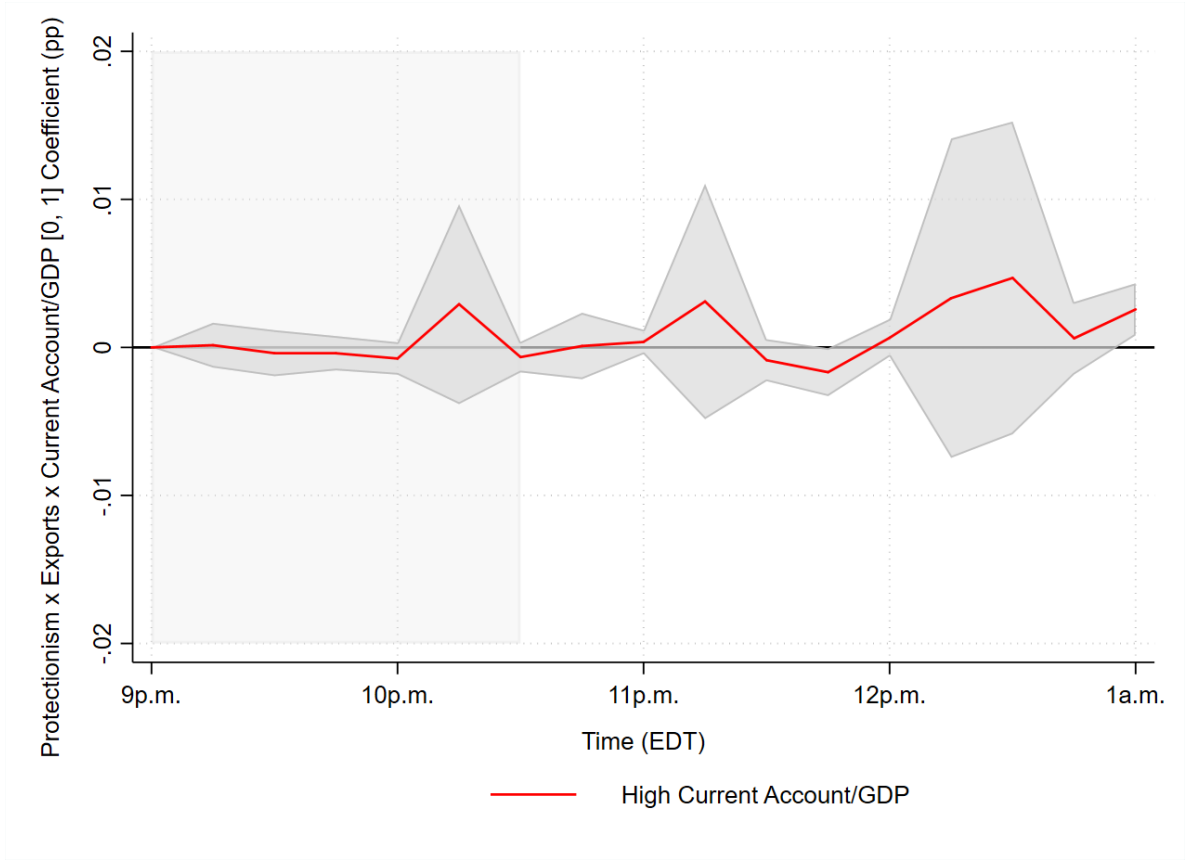


Figure 20: Impact of protectionism conditional on exports to US and current account/GDP. Plot of the coefficient β_{13} from the regression $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ around US presidential debates (9:00 - 10:30 p.m. EDT) with upper and lower limit in 90%-confidence intervals. A positive coefficient denotes a depreciation of the foreign currency against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

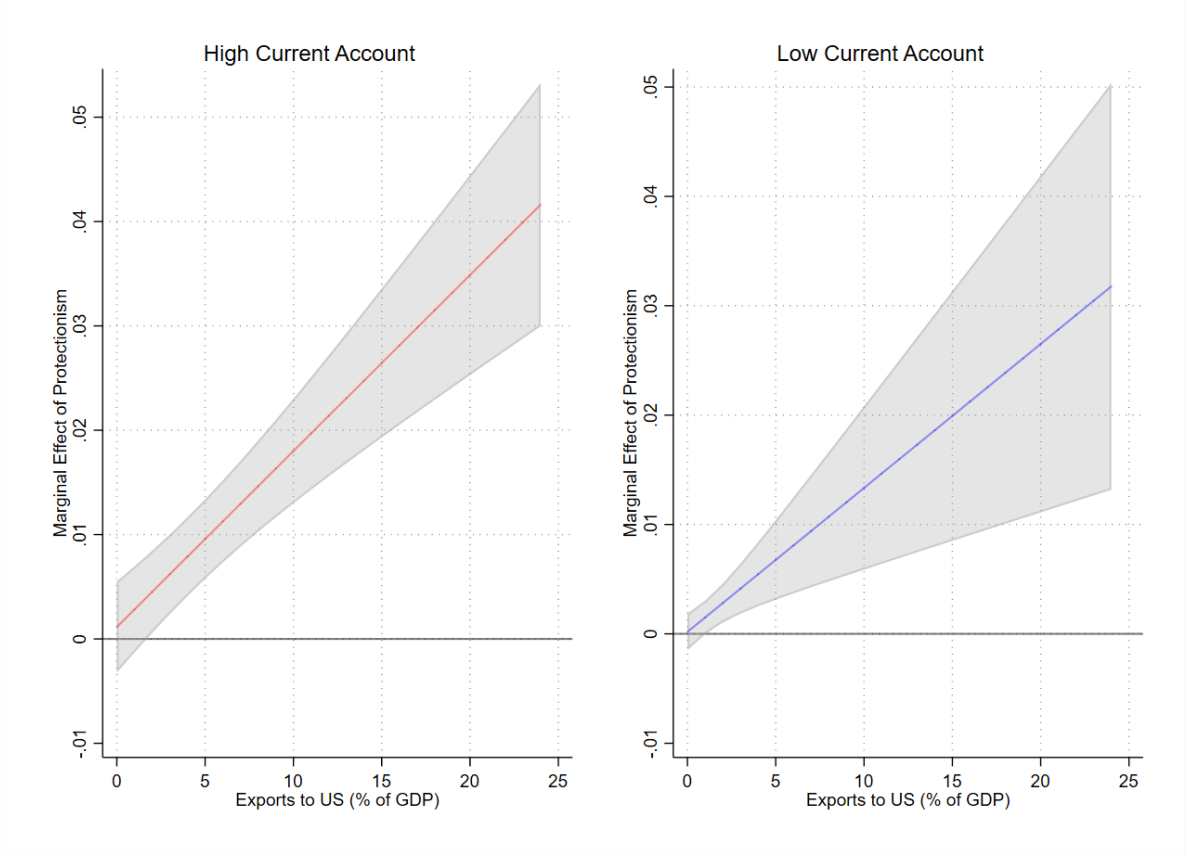


Figure 21: Average marginal effect of protectionism conditional on exports to US and current account/GDP. Plot of the average marginal effect of $\Delta q_{t,T}^{Protectionism}$ for different relative export levels and macroeconomic characteristics. The underlying regression is $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ at $T = 11 : 00p.m. EDT$. A positive coefficient denotes a depreciation of foreign currencies against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

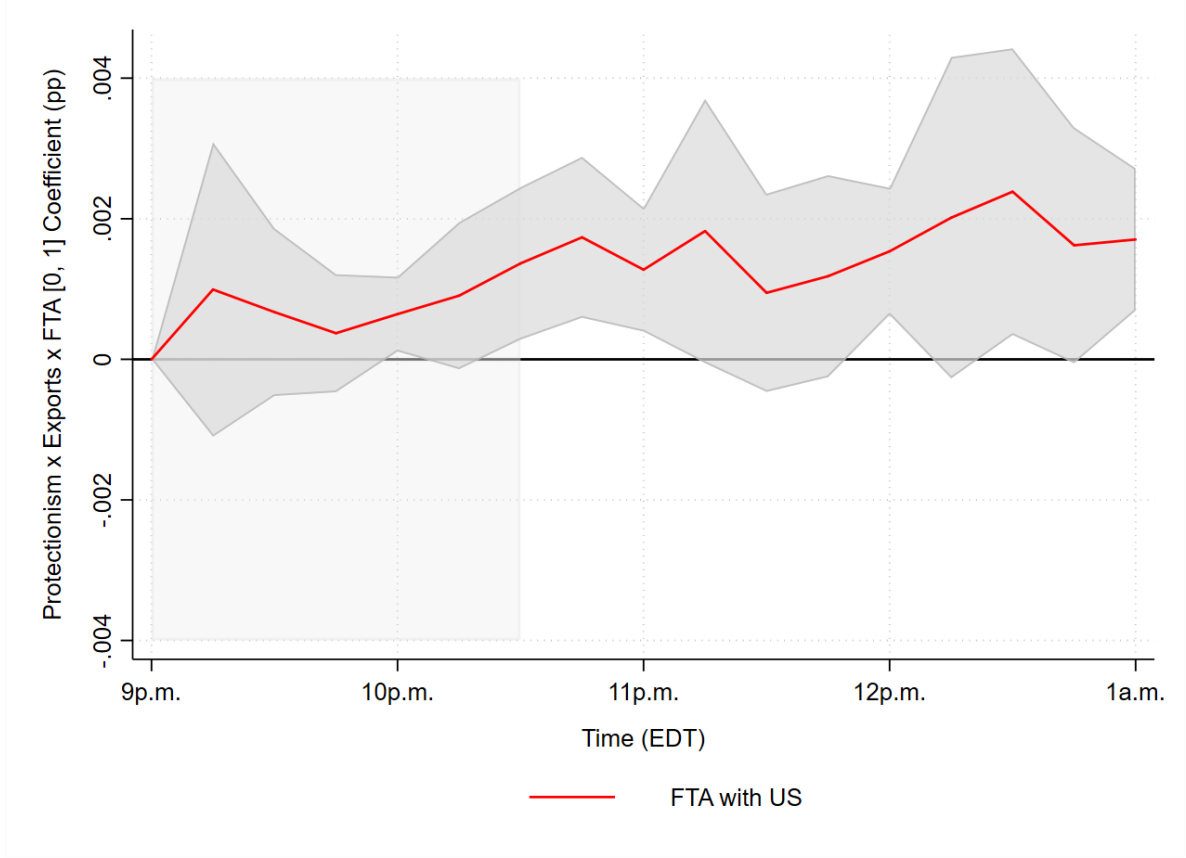


Figure 22: Impact of protectionism conditional on exports to US and FTA with the US. Plot of the coefficient β_{13} from the regression $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ around US presidential debates (9:00 - 10:30 p.m. EDT) with upper and lower limit in 90%-confidence intervals. A positive coefficient denotes a depreciation of the foreign currency against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

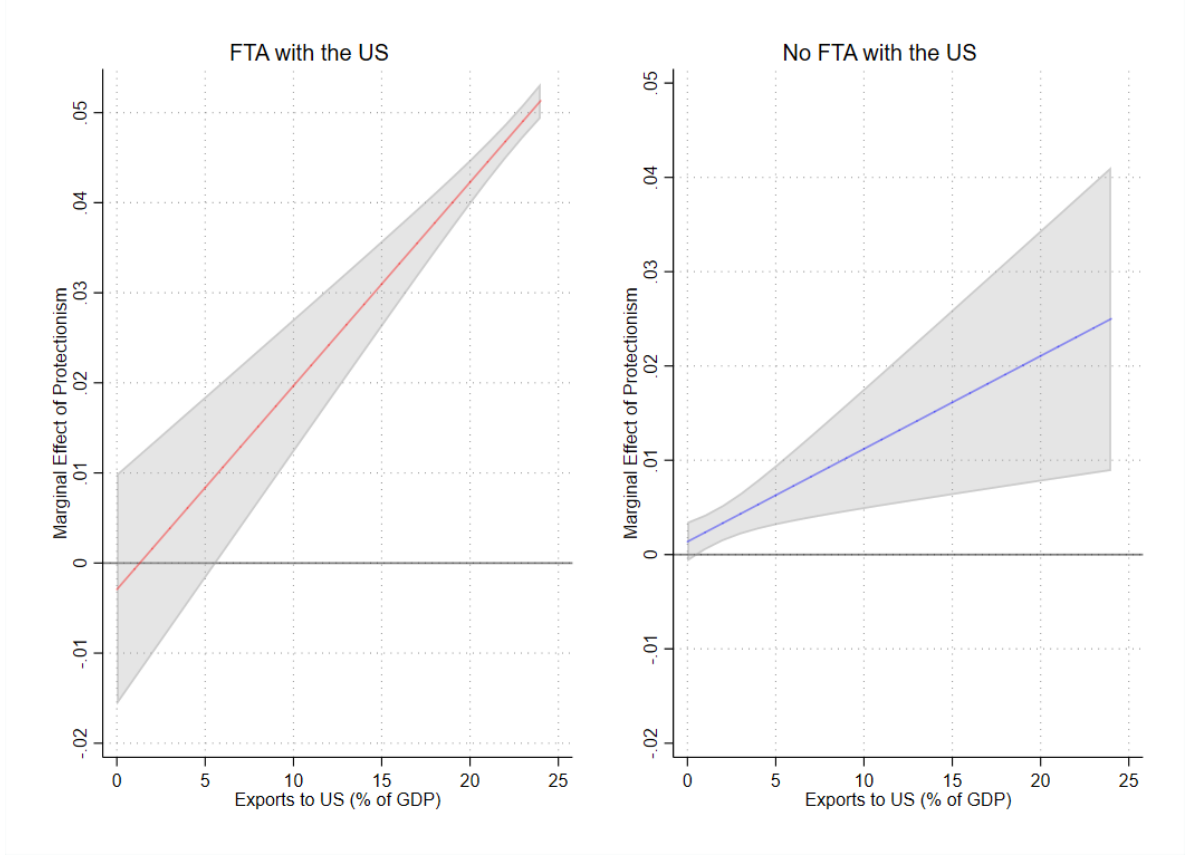


Figure 23: Average marginal effect of protectionism conditional on exports to US and FTA with the US. Plot of the average marginal effect of $\Delta q_{t,T}^{Protectionism}$ for different relative export levels and macroeconomic characteristics. The underlying regression is $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ at $T = 11 : 00p.m. EDT$. A positive coefficient denotes a depreciation of foreign currencies against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

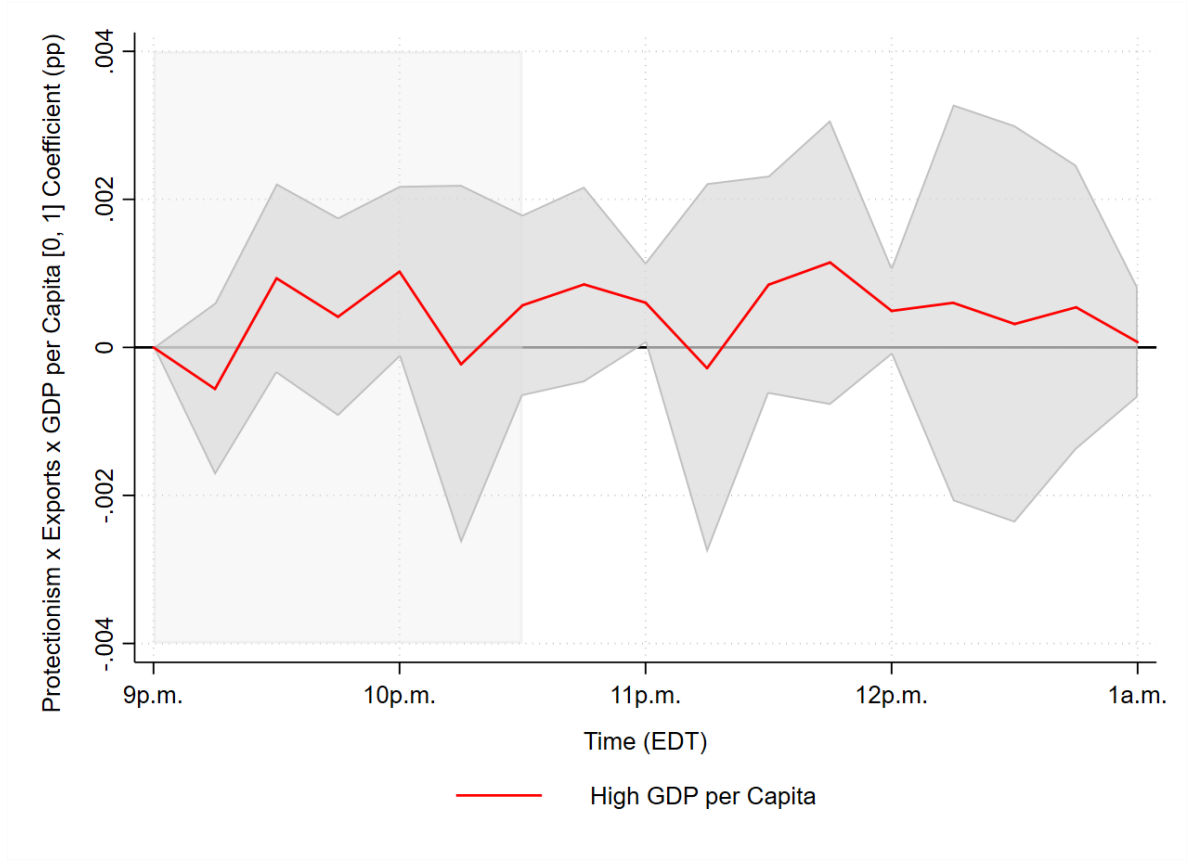


Figure 24: Impact of protectionism conditional on exports to US and GDP per capita.

Plot of the coefficient β_{13} from the regression $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_{t,T}^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_{t,T}^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ around US presidential debates (9:00 - 10:30 p.m. EDT) with upper and lower limit in 90%-confidence intervals. A positive coefficient denotes a depreciation of the foreign currency against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

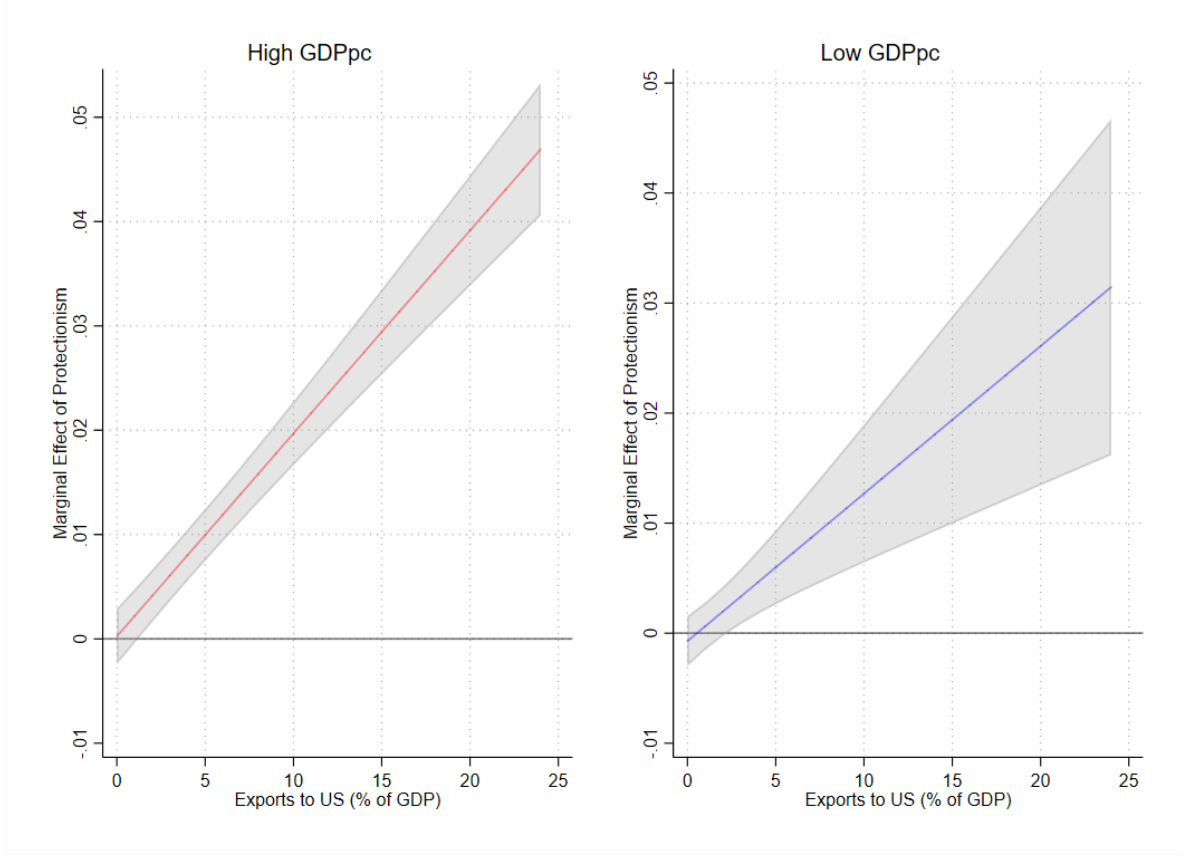


Figure 25: Average marginal effect of protectionism conditional on exports to US and GDP per capita. Plot of the average marginal effect of $\Delta q_{t,T}^{Protectionism}$ for different relative export levels and macroeconomic characteristics. The underlying regression is $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ at $T = 11 : 00p.m. EDT$. A positive coefficient denotes a depreciation of foreign currencies against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

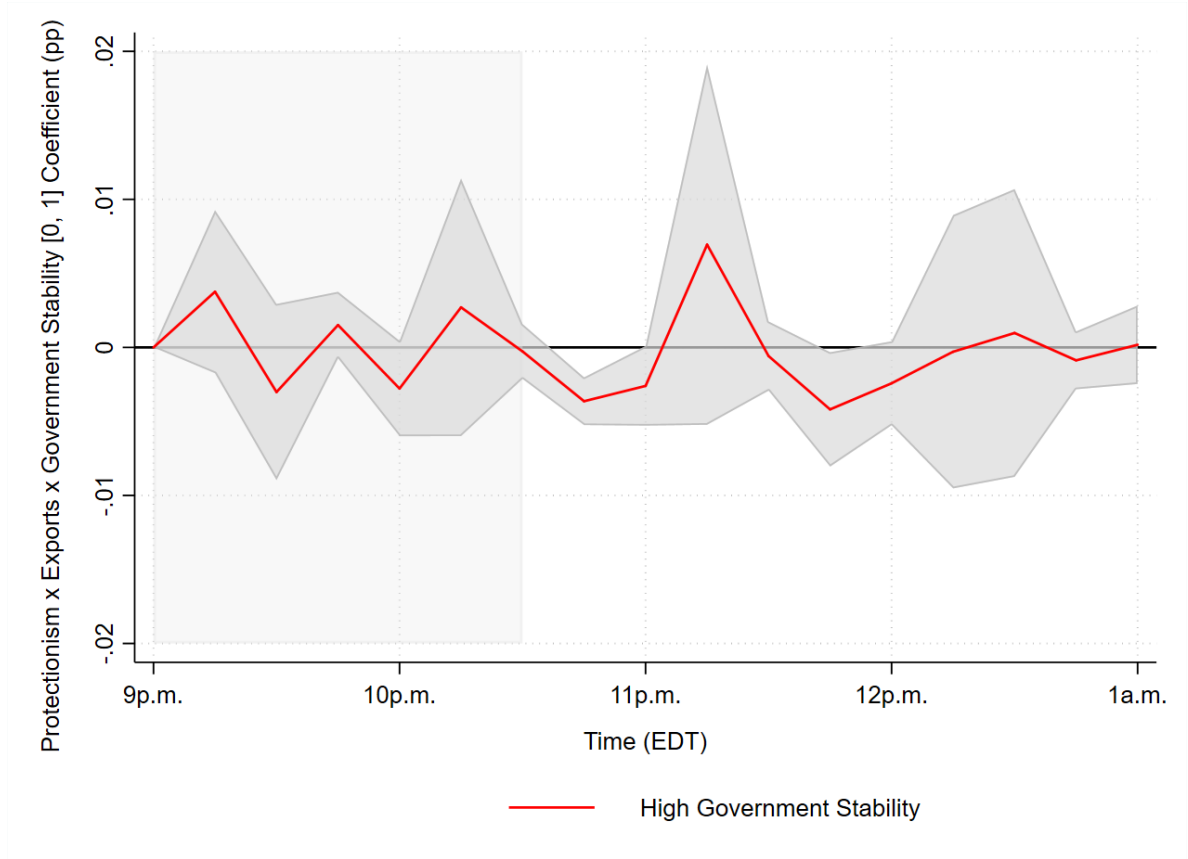


Figure 26: Impact of protectionism conditional on exports to US and government stability ratings. Plot of the coefficient β_{13} from the regression $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ around US presidential debates (9:00 - 10:30 p.m. EDT) with upper and lower limit in 90%-confidence intervals. A positive coefficient denotes a depreciation of the foreign currency against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

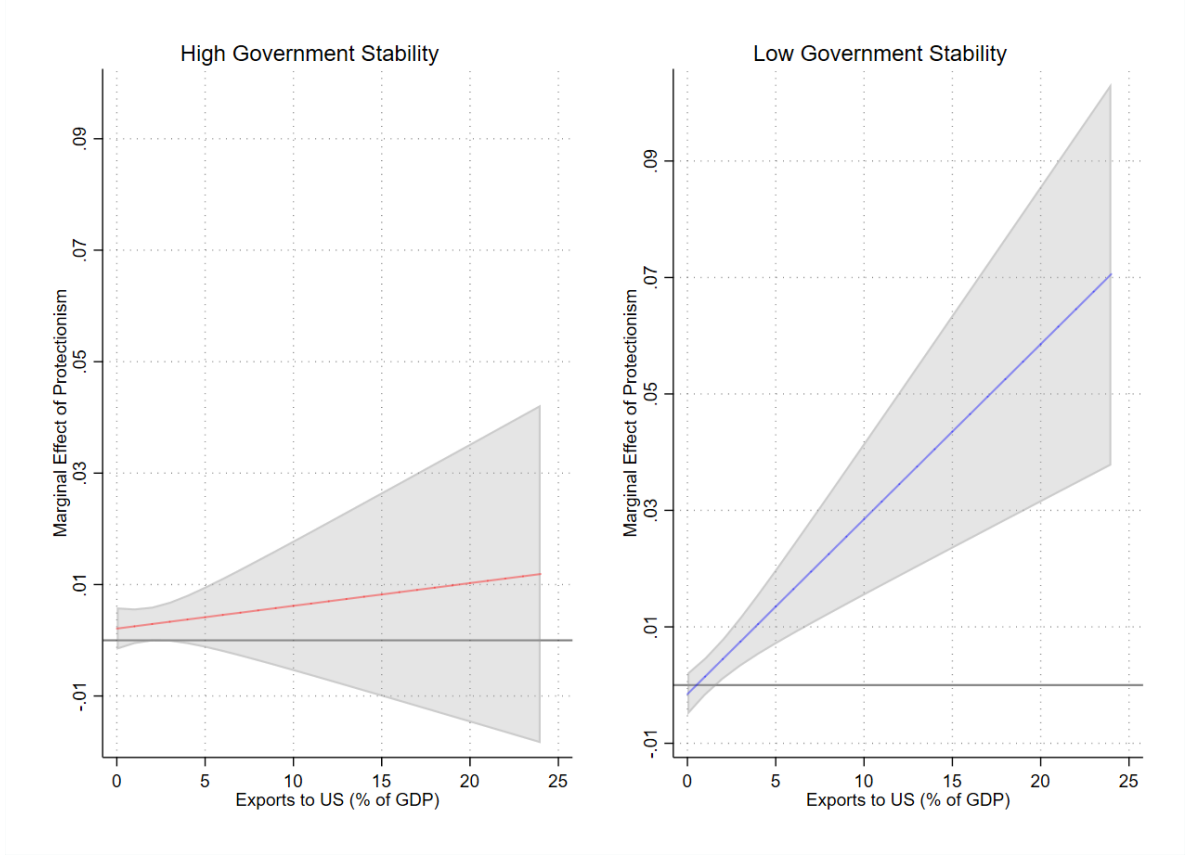


Figure 27: Average marginal effect of protectionism conditional on exports to US and Government Stability. Plot of the average marginal effect of $\Delta q_{t,T}^{Protectionism}$ for different relative export levels and macroeconomic characteristics. The underlying regression is $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_t^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_t^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ at $T = 11 : 00p.m. EDT$. A positive coefficient denotes a depreciation of foreign currencies against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

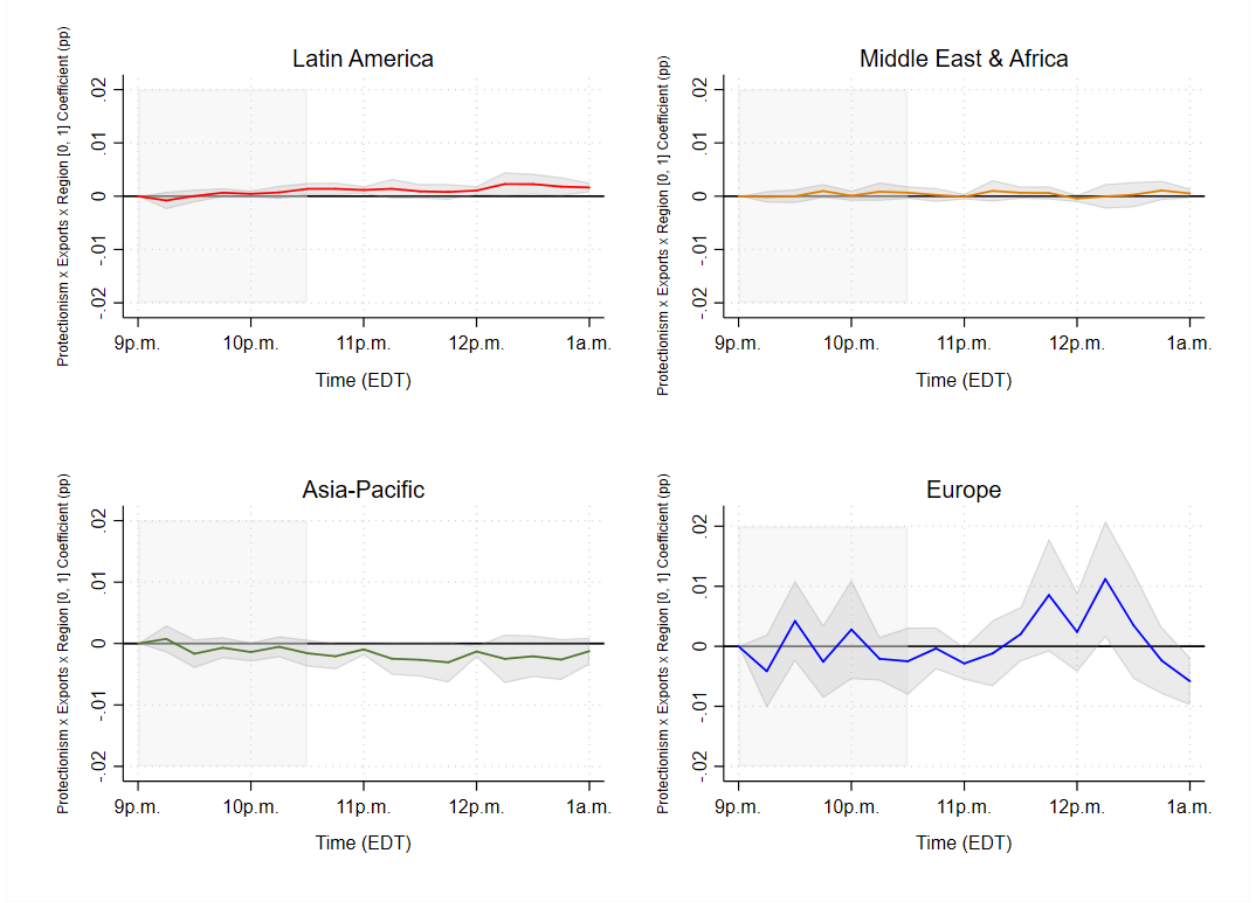


Figure 28: Impact of protectionism conditional on exports to US and geographic regions. Plot of the coefficient β_{13} from the regression $r_{i,t,T} = \beta_1 \times Debate_{t,T} + \beta_2 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} + \beta_3 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} + \beta_4 \times Exports_{i,t,T} + \beta_5 \times Debate_{t,T} \times Exports_{i,t,T} + \beta_6 \times Debate_{t,T} \times \Delta q_{t,T}^{Dem} \times Exports_{i,t,T} + \beta_7 \times Debate_{t,T} \times \Delta q_{t,T}^{Protec} \times Exports_{i,t,T} + \beta_8 \times \zeta_{i,t} + \beta_9 \times Debate_t \times \zeta_{i,t} + \beta_{10} \times Debate_t \times \Delta q_{t,T}^{Protec} \times \zeta_{i,t} + \beta_{11} \times Trade_{i,t} \times \zeta_{i,t} + \beta_{12} \times Debate_t \times Trade_{i,t} \times \zeta_{i,t} + \beta_{13} \times Debate_t \times \Delta q_{t,T}^{Protec} \times Trade_{i,t} \times \zeta_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t}$ around US presidential debates (9:00 - 10:30 p.m. EDT) with upper and lower limit in 90%-confidence intervals. A positive coefficient denotes a depreciation of the foreign currency against the US dollar. The results are given in percentage points. We account for country fixed effects and year fixed effects. The full sample ranges from 01/1996 - 12/2016 and contains 71 exchange rates of emerging markets and developing countries.

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A Appendix

Appendix for

Exchange Rate Responses of Emerging Markets to Expected Protectionist

U.S. Trade Policies

June 2025

Table A.1: Summary statistics of changes in election probabilities. The table shows the summary statistics of the average absolute values of the changes in the election probability of the protectionist candidate during the debate window. The changes in the election probability are calculated in 15-minute windows relative to 9:00 p.m. EDT, the beginning of the debates. For example, the election probability of the protectionist candidate changes on average by 1.6 pp from 9:00 - 10:30 p.m. EDT.

Mean absolute values of $\Delta q_{t,T}^{ Protec}$ relative to $\Delta q_{t,9:00p.m.}^{ Protec}$. (in pp)								
$T =$	09:15p.m.	09:30p.m.	09:45p.m.	10:00p.m.	10:15p.m.	10:30p.m.	10:45p.m.	11:00p.m.
Mean	0.53	0.90	1.40	1.65	1.91	1.60	2.53	2.04
Median	0.20	0.50	0.80	0.90	0.90	0.90	1.50	0.90
SD	0.98	1.21	1.72	1.78	2.56	1.49	3.06	1.94
Min	0	0	0	0	0	0	0	0
Max	4.10	4.50	5.70	5.90	10.70	5.80	13.60	5.80

Table A.2: Definition and data sources of controls. This table reports in the first column the used control variables in the empirical analysis. The second column specifies the calculation, while the third column reports sources of the data.

Variable	Definition	Source
Exchange Rates	Nominal bid and ask rates of foreign currency i against the US Dollar in 15-minute-windows. Foreign currency per unit of US dollar.	Thomson Reuters Tick History
Exports to the US	Annual bilateral exports to and imports from the US.	UN Comtrade
<i>1. Exchange Rate Flexibility and Policy Measures</i>		
FX reserves	Level of FX reserves minus gold.	Lane and Milesi-Ferretti (2007, 2017)
Capital Controls	Capital Outflow Restrictions	Fernández et al. (2015), Schindler (2009)
Capital Account Openness	Restrictions on cross-border financial transactions reported in the IMF's Annual Report on Exchange Arrangements and Exchange Restrictions	Chinn and Ito (2006)
<i>2. Size and Liquidity of Financial Markets</i>		
Financial Openness	Sum of foreign assets and liabilities (portfolio equity and foreign direct investments) to GDP	Lane and Milesi-Ferretti (2007, 2017)
Size of Financial System	Sum of deposit money bank assets and stock market capitalization to GDP	Financial Structure Database (Beck et al., 2000, 2009; Čihák et al., 2012)
<i>3. Country Risk Measures</i>		
US Equity Holdings	Annual market value of foreign portfolio holdings of long-term US equity	Treasury International Capital (TIC)
S&P Country Rating	Sovereign credit ratings	Standard & Poor's Ratings Services
External Imbalances	Net Foreign Assets to GDP	Lane and Milesi-Ferretti (2007, 2017)
Current Accounts	Current Account Balance to GDP	World Bank
<i>4. Trade Openness</i>		
FTA	Active Free Trade Agreements with the US.	Office of the US Trade Representative
<i>5. Size of the Economy</i>		
GDP per capita	GDP per capita (current US dollar)	World Bank
<i>6. Domestic Government Measures</i>		
Political Stability	Government stability ratings	International Country Risk Guide (ICRG)