

	1927:02-1956:12			1957:01-1986:12			1987:01-2018:07					
	DD	RD	Diff	DD	RD	Diff	DD	RD	Diff			
Pooled	0.93 (0.32)	1.58 (0.05)	-0.65 (0.32)	0.72 (0.10)	4.77 (0.76)	-4.05 (0.77)	*	-1.97 (0.15)	3.97 (0.15)	-5.94 (0.21)	***	
EWR	0.91 (0.28)	1.44 (0.03)	-0.53 (0.28)	0.69 (0.06)	4.08 (0.33)	-3.39 (0.34)	***	-1.88 (0.49)	3.83 (0.55)	-5.71 (0.74)	**	
VWR	-0.07 (0.16)	0.44 (0.01)	-0.51 (0.16)	0.14 (0.04)	1.09 (0.21)	-0.95 (0.21)		-1.65 (0.34)	1.87 (0.40)	-3.52 (0.52)	**	
AUS	0.92 (0.13)	0.79 (0.31)	0.13 (0.33)	0.49 (0.08)	0.23 (0.37)	0.26 (0.38)		0.87 (0.81)	4.85 (0.86)	-3.98 (1.18)		
AUT				-0.36 (0.37)	0.19 (0.17)	-0.55 (0.41)		-2.95 (0.70)	3.54 (0.62)	-6.49 (0.93)	**	
BEL	3.20 (0.06)	2.31 (0.04)	0.89 (0.07)	***	1.55 (0.10)	1.70 (0.08)	-0.15 (0.13)	-2.77 (0.70)	3.02 (0.61)	-5.79 (0.93)	**	
CAN	0.20 (0.09)	0.08 (0.02)	0.12 (0.09)		0.86 (0.05)	0.91 (0.10)	-0.04 (0.11)	-1.92 (0.49)	3.59 (0.53)	-5.51 (0.73)	**	
HKG					-2.89 (0.20)	-1.06 (0.12)	-1.84 (0.23)	**	0.37 (0.04)	-0.54 (0.06)	0.91 (0.07)	***
DNK					7.60 (0.25)	8.62 (0.68)	-1.02 (0.73)		-3.25 (0.69)	6.47 (0.86)	-9.72 (1.11)	**
FIN	4.23 (0.07)	3.89 (0.10)	0.35 (0.13)		3.00 (0.13)	3.22 (0.20)	-0.22 (0.24)	-2.37 (0.72)	5.18 (0.62)	-7.55 (0.95)	**	
FRA	1.66 (0.09)	0.35 (0.13)	1.31 (0.16)	**	0.52 (0.11)	3.87 (0.54)	-3.35 (0.55)	**	-3.52 (0.68)	5.00 (0.84)	-8.52 (1.08)	**
DEU	-9.31 (3.33)	2.61 (0.04)	-11.92 (3.33)		-1.45 (0.11)	0.67 (0.58)	-2.12 (0.59)		-4.21 (0.69)	4.24 (0.87)	-8.44 (1.11)	**
IRL									-3.68 (0.67)	4.71 (0.89)	-8.38 (1.11)	**
ISR									1.86 (0.50)	5.59 (0.48)	-3.73 (0.70)	*
ITA	3.99 (0.18)	2.73 (0.16)	1.26 (0.24)	*	1.82 (0.39)	4.86 (0.60)	-3.05 (0.72)		-3.51 (0.69)	4.93 (0.86)	-8.43 (1.10)	**
JPN	3.15 (0.16)	2.70 (0.45)	0.45 (0.48)		0.29 (0.40)	1.94 (0.65)	-1.65 (0.76)		-1.53 (0.83)	0.23 (0.76)	-1.76 (1.12)	
NLD	0.87 (0.07)	-0.10 (0.07)	0.98 (0.09)	***	-0.76 (0.04)	0.71 (0.43)	-1.47 (0.43)		-4.12 (0.69)	4.59 (0.87)	-8.71 (1.11)	**
NZL									1.98 (0.82)	6.06 (0.83)	-4.08 (1.17)	
NOR					-1.82 (0.17)	1.27 (0.49)	-3.09 (0.51)	**	-3.20 (0.70)	5.48 (0.88)	-8.67 (1.13)	**
PRT									-0.76 (0.70)	5.48 (0.66)	-6.25 (0.96)	**
SGP					-2.35 (0.15)	-1.94 (0.11)	-0.42 (0.19)		-1.35 (0.27)	-1.67 (0.16)	0.32 (0.31)	
ESP	3.34 (0.07)	2.07 (0.05)	1.27 (0.08)	***	3.13 (0.46)	2.32 (0.27)	0.81 (0.54)		-1.87 (0.69)	5.08 (0.62)	-6.95 (0.93)	**
SWE	1.69 (0.06)	0.21 (0.05)	1.48 (0.08)	***	0.96 (0.15)	2.93 (0.53)	-1.97 (0.55)		-4.06 (0.82)	4.89 (0.84)	-8.95 (1.17)	**
CHE					-3.92 (0.40)	-1.25 (0.90)	-2.68 (0.98)		-1.78 (0.74)	2.51 (0.87)	-4.29 (1.14)	
GBR	0.27 (0.06)	1.10 (0.07)	-0.83 (0.09)	***	1.98 (0.08)	2.25 (0.47)	-0.27 (0.47)		-1.54 (0.60)	4.18 (0.81)	-5.71 (1.01)	*

Table 5.
Difference of Currency Risk Premia by Country

The table reports mean excess returns on currencies for each country during Democratic (DD) and Republican (RD) presidential terms. The upper panel presents the estimate of equal-weighted, value-weighted, and pooled portfolios while the lower panel presents it by country. The standard errors below the coefficients are obtained from the Newey-West heteroskedasticity and serial-correlation robust statistics. The asterisk indicates significance tests on the null hypothesis that stock returns are the same during DD and RD presidential terms.

G7					
Country	Leftist Party			Election cycle	
	Party Name	Winners counts	Incumbent period	Average (year)	Std (month)
USA	Democrat	52.0%	53.9%	4.0	0.1
CAN	Grits	63.0%	65.6%	3.4	16.9
DEU	SPD	16.7%	15.6%	3.8	5.6
FRA	PS	29.4%	31.0%	5.8	21.9
GBR	Labour	43.5%	35.9%	4.1	21.6
ITA	Olive Tree	15.8%	16.7%	4.0	14.8
JPN	Minshutō	18.8%	20.2%	2.8	12.8

Table 6.

Summary statistics of local political cycle

The sample period is from 1929 to 2017 in order to aligned with Figure 1. In this Table we only report the G7 country. Since there is no clear pattern, we argue it is not necessary to extend our sample to all 23 countries. The election under dictators in Germany (DEU) and Italy (ITA) are excluded from the above statistics. Other country acronyms refer to Canda (CAN), France (FRA), United Kingdom (GBR), and Japan (Japan). The party acronyms refer to Social Democratic Party of Germany (SPD), Parti socialiste (PS), Parti libéral du Canada (Grits).

Election	1927:02-1956:12			1957:01-1986:12			1987:01-2018:07					
	Left	Right	Diff	Left	Right	Diff	Left	Right	Diff			
Panel A: Pooled estimate												
USA	9.64 (0.45)	2.05 (0.62)	7.59 (0.76)	***	3.30 (0.38)	2.74 (0.51)	0.55 (0.63)	9.60 (0.27)	-2.71 (0.39)	12.31 (0.47)	***	
GBR	1.43 (0.87)	9.54 (0.36)	-8.10 (0.94)	**	-2.72 (0.44)	6.11 (0.47)	-8.82 (0.64)	***	2.46 (0.45)	4.30 (0.27)	-1.84 (0.52)	
FRA	10.31 (0.76)	6.13 (0.42)	4.18 (0.87)	*	4.08 (1.09)	2.61 (0.32)	1.47 (1.13)	3.71 (0.31)	3.40 (0.37)	0.30 (0.48)		
DEU	-21.84 (1.02)	11.06 (0.38)	-32.90 (1.09)	***	-7.09 (0.94)	4.69 (0.36)	-11.79 (1.00)	***	3.99 (0.54)	3.41 (0.27)	0.58 (0.61)	
JPN	1.53 (0.62)	9.95 (0.45)	-8.42 (0.77)	***	-3.16 (1.09)	3.16 (0.35)	-6.33 (1.14)	*	5.42 (0.35)	3.05 (0.29)	2.37 (0.46)	*
CAN	9.07 (0.39)	-2.80 (0.97)	11.87 (1.04)	***	0.64 (0.40)	9.06 (0.58)	-8.42 (0.70)	***	6.74 (0.32)	0.60 (0.36)	6.14 (0.48)	***
ITA									7.43 (0.33)	1.10 (0.33)	6.33 (0.46)	***
Panel B: G7 local stock returns												
USA	11.19 (1.42)	2.46 (2.90)	8.73 (3.23)		5.84 (1.06)	1.74 (1.03)	4.11 (1.48)	12.30 (0.91)	1.34 (1.22)	10.96 (1.52)	**	
GBR	-1.56 (1.28)	7.83 (0.91)	-9.39 (1.57)	**	4.38 (2.60)	7.12 (1.07)	-2.74 (2.81)	0.82 (1.29)	6.17 (1.03)	-5.35 (1.66)		
FRA	3.77 (2.04)	8.84 (1.73)	-5.07 (2.68)		11.40 (2.46)	-2.84 (1.07)	14.24 (2.68)	*	0.86 (1.41)	1.09 (1.50)	-0.24 (2.06)	
DEU	-37.10 (3.57)	13.16 (1.33)	-50.26 (3.81)	***	-6.37 (2.42)	4.11 (1.00)	-10.48 (2.62)	-4.50 (2.80)	2.63 (1.19)	-7.13 (3.04)		
JPN	1.96 (1.52)	9.37 (2.33)	-7.40 (2.78)		-9.84 (4.47)	6.58 (0.87)	-16.42 (4.55)	-0.79 (2.17)	-0.70 (1.30)	-0.09 (2.53)		
CAN	9.81 (0.98)	15.16 (2.77)	-5.35 (2.94)		1.44 (1.06)	4.98 (1.42)	-3.54 (1.77)	6.87 (1.18)	0.95 (1.23)	5.92 (1.70)		
ITA								10.62 (1.68)	-6.91 (1.44)	17.53 (2.22)	**	
Panel C: VWR estimate												
USA	10.15 (0.96)	1.73 (2.12)	8.42 (2.33)		4.00 (0.75)	2.83 (0.92)	1.17 (1.18)	9.08 (0.90)	-2.30 (1.31)	11.39 (1.59)	**	
GBR	-0.46 (1.81)	10.54 (1.14)	-11.00 (2.14)	*	-2.26 (1.09)	6.47 (0.72)	-8.73 (1.31)	**	0.61 (1.55)	5.46 (0.89)	-4.86 (1.79)	
FRA	11.11 (0.88)	6.23 (1.25)	4.88 (1.52)		7.77 (1.50)	2.25 (0.69)	5.52 (1.65)	4.76 (1.02)	2.35 (1.26)	2.41 (1.62)		
DEU	-26.89 (3.81)	12.34 (0.95)	-39.23 (3.93)	***	-7.06 (2.39)	4.85 (0.59)	-11.91 (2.46)	*	1.11 (1.80)	4.13 (0.93)	-3.02 (2.03)	
JPN	-5.98 (1.79)	13.80 (1.05)	-19.78 (2.08)	***	-2.75 (2.74)	3.58 (0.63)	-6.32 (2.82)	6.42 (1.25)	2.69 (0.99)	3.74 (1.59)		
CAN	10.06 (0.79)	-5.33 (3.87)	15.39 (3.95)		0.86 (0.74)	9.06 (1.09)	-8.20 (1.31)	**	5.43 (1.03)	1.66 (1.30)	3.77 (1.66)	
ITA								6.68 (1.01)	1.45 (1.20)	5.24 (1.57)		

Table 7.
G7 Political Cycles and Return Difference

The table reports mean excess returns difference based on G7 political cycles. Panel A presents the pooled estimate of 23 countries. Panel B presents the local stock returns of each G7 country. Panel C presents the value-weighted returns across 23 countries. The standard errors below the coefficients are obtained from the Newey-West heteroskedasticity and serial-correlation robust statistics. The asterisk indicates significance tests on the null hypothesis that stock returns are the same during Left and Right presidential (or prime-minister) terms. p -value < 10% *, 5% **, 1% ***.

Election	1927:02-1956:12			1957:01-1986:12			1987:01-2018:07					
	Left	Right	Diff	Left	Right	Diff	Left	Right	Diff			
Panel A: Pooled estimate												
USA	0.85 (0.29)	1.44 (0.05)	-0.59 (0.30)	0.67 (0.09)	4.50 (0.72)	-3.82 (0.73)	*	-1.88 (0.15)	3.79 (0.14)	-5.68 (0.20)	***	
GBR	-0.79 (0.67)	1.79 (0.04)	-2.58 (0.67)	0.71 (0.10)	4.44 (0.72)	-3.73 (0.72)	*	0.76 (0.18)	1.02 (0.13)	-0.26 (0.22)		
FRA	-1.23 (0.77)	1.81 (0.04)	-3.04 (0.77)	11.53 (1.98)	0.65 (0.06)	10.88 (1.98)	*	1.90 (0.15)	0.07 (0.15)	1.83 (0.21)	**	
DEU	1.39 (0.05)	0.98 (0.23)	0.41 (0.24)	0.63 (0.12)	3.53 (0.54)	-2.90 (0.56)	*	0.85 (0.22)	0.93 (0.12)	-0.08 (0.25)		
JPN	1.88 (0.03)	0.58 (0.31)	1.29 (0.31)	1.95 (0.18)	3.15 (0.48)	-1.19 (0.51)		2.06 (0.19)	0.61 (0.12)	1.45 (0.22)	**	
CAN	0.83 (0.23)	2.14 (0.05)	-1.31 (0.24)	*	1.84 (0.40)	6.45 (0.75)	-4.61 (0.85)	*	0.03 (0.14)	1.71 (0.16)	-1.68 (0.21)	**
ITA								-2.44 (0.15)	3.02 (0.14)	-5.46 (0.20)	***	
Panel B: G7 local FX returns												
USA												
GBR	0.01 (0.09)	0.76 (0.04)	-0.75 (0.10)	**	2.36 (0.14)	2.02 (0.50)	0.34 (0.53)		0.86 (0.75)	1.58 (0.70)	-0.72 (1.03)	
FRA	1.05 (0.02)	1.26 (0.13)	-0.21 (0.14)		7.49 (1.55)	1.38 (0.12)	6.11 (1.55)		2.36 (0.80)	-0.75 (0.73)	3.11 (1.08)	
DEU	3.57 (0.07)	-7.28 (2.72)	10.85 (2.72)		-0.78 (0.06)	-0.09 (0.30)	-0.69 (0.31)		0.20 (1.17)	-0.11 (0.62)	0.31 (1.33)	
JPN	2.66 (0.12)	3.29 (0.26)	-0.63 (0.29)		8.10 (0.19)	0.97 (0.29)	7.14 (0.35)	***	0.72 (1.20)	-1.02 (0.63)	1.74 (1.36)	
CAN	0.04 (0.06)	1.80 (0.02)	-1.76 (0.06)	***	0.86 (0.13)	0.95 (0.08)	-0.09 (0.15)		0.90 (0.48)	0.71 (0.57)	0.18 (0.74)	
ITA									-2.45 (0.75)	2.60 (0.77)	-5.06 (1.07)	*
Panel C: EWR – dollar factor												
USA	0.91 (0.28)	1.44 (0.03)	-0.53 (0.28)		0.69 (0.06)	4.08 (0.33)	-3.39 (0.34)	***	-1.88 (0.49)	3.83 (0.55)	-5.71 (0.74)	**
GBR	-0.66 (0.63)	1.79 (0.02)	-2.45 (0.63)		0.64 (0.08)	3.92 (0.37)	-3.28 (0.38)	**	0.76 (0.65)	1.06 (0.42)	-0.30 (0.78)	
FRA	-1.32 (0.78)	1.80 (0.02)	-3.13 (0.78)		11.45 (0.97)	0.69 (0.07)	10.76 (0.98)	***	1.95 (0.46)	0.07 (0.54)	1.88 (0.71)	
DEU	1.39 (0.05)	1.01 (0.23)	0.37 (0.23)		0.63 (0.11)	3.04 (0.22)	-2.41 (0.25)	***	0.85 (0.85)	0.96 (0.40)	-0.11 (0.94)	
JPN	1.90 (0.01)	0.62 (0.29)	1.28 (0.29)		1.95 (0.11)	2.76 (0.21)	-0.81 (0.23)		2.06 (0.67)	0.64 (0.43)	1.41 (0.80)	
CAN	0.86 (0.23)	2.14 (0.01)	-1.29 (0.23)	*	1.64 (0.22)	5.28 (0.68)	-3.64 (0.71)	*	0.04 (0.50)	1.76 (0.53)	-1.73 (0.73)	
ITA									-2.44 (0.53)	3.06 (0.48)	-5.50 (0.71)	**

Table 8.

G7 Political Cycles and Currency Return Difference The table reports currency excess returns based on G7 political cycles. Panel A presents the pooled estimate of 23 countries. Panel B presents the local FX returns of each G7 country. Panel C presents the dollar factor, i.e. equal-weighted FX returns across 23 countries. The standard errors below the coefficients are obtained from the Newey-West heteroskedasticity and serial-correlation robust statistics. The asterisk indicates significance tests on the null hypothesis that stock returns are the same during Left and Right presidential (or prime-minister) terms. p -value < 10% *, 5% **, 1% ***.

Dependent variable: 4-year cumulative stock returns denoted in local currency									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
DEM	0.5496*** (0.0000)	0.5370*** (0.0000)	0.5371*** (0.0000)	0.5604*** (0.0000)	0.5461*** (0.0000)	0.5336*** (0.0000)	0.5549*** (0.0000)	0.5455*** (0.0000)	0.5377*** (0.0000)
TS1	-0.0206** (0.0050)								
DP1		-0.0191** (0.0038)							
RREL1			0.0000 (0.6641)						
TS6				-0.0195*** (0.0007)					
DP6					-0.0228** (0.002)				
RREL6						-0.0003** (0.0047)			
TS12							-0.0112* (0.0361)		
DP12								-0.0188* (0.0141)	
RREL12									0.0000 (0.7342)
Constants	-0.0564 -0.1439	-0.0956** -0.0089	-0.1333*** -0.0005	-0.0672 -0.0723	-0.0816* -0.0239	-0.1311*** -0.0006	-0.0959* -0.017	-0.0863* -0.0189	-0.1334*** -0.0004
N	159	159	159	159	159	159	159	159	159
R-sq	0.461	0.451	0.432	0.454	0.456	0.433	0.439	0.448	0.432

Table 9.
Long-horizon predictability and real business cycle

This table analyzes the long-horizon return predictability of the real business cycle variables. The long-term horizon is of four years, equivalent to the tenure of a presidential term. DEM is a dummy variable indicating the Democrat presidential terms. TS is referred to the term spreads and the numbers indicate the number of lagged-month. For instance, TS1 is the term spreads observed at month $t - 1$ and TS6 is the term spreads at month $t - 6$ and so on. DP is referred to the dividend-to-price ratio also known as dividend yields. RREL is referred to the relative short rate and is calculated as the current month's short rate minus a moving average of the past 12 months' rate. The coefficients is expressed in percentage. p -values in parentheses * $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$.

Panel A: Equity excess returns denominated in local currencies					
	(1)	(2)	(3)	(4)	(5)
DEM	0.0132*** (0.0000)	0.0134*** (0.0000)	0.0122*** (0.0000)	0.0134*** (0.0000)	0.0121*** (0.0000)
HHNW		-0.1330 (0.4356)	-0.1459 (0.3471)		
US HHNW			0.6003*** (0.0000)		0.6002*** (0.0000)
HHNW Fin				-0.0519 (0.5879)	-0.0611 (0.4860)
N	3636	3636	3636	3636	3636
R-sq	0.014	0.014	0.022	0.014	0.022
Panel B: Equity excess returns denominated in USD					
	(6)	(7)	(8)	(9)	(10)
DEM	0.0073*** (0.0007)	0.0071*** (0.0003)	0.0055** (0.0036)	0.0071*** (0.0004)	0.0055** (0.0041)
HHNW		0.1217 (0.6521)	0.1056 (0.6810)		
US HHNW			0.7445*** (0.0000)		0.7444*** (0.0000)
HHNW Fin				0.0760 (0.5954)	0.0646 (0.6353)
N	3636	3636	3636	3636	3636
R-sq	0.003	0.003	0.013	0.003	0.013
Panel C: Currency risk premia					
	(11)	(12)	(13)	(14)	(15)
DEM	-0.0059*** (0.0000)	-0.0063*** (0.0000)	-0.0067*** (0.0000)	-0.0063*** (0.0000)	-0.0066*** (0.0000)
HHNW		0.2547 (0.0901)	0.2515 (0.0931)		
US HHNW			0.1442*** (0.0005)		0.1442*** (0.0005)
HHNW Fin				0.1279 (0.0736)	0.1257 (0.0780)
N	3636	3636	3636	3636	3636
R-sq	0.010	0.012	0.013	0.011	0.013

Table 10.
Wealth effect I: household net worth

This table studies the wealth effect through household net worth. Panel A presents the regression of equity returns denominated in local currencies as the dependent variable, Panel B presents the equity returns in USD and Panel C presents the currency risk premia. HHNW is the percentage change of household net worth and HHNW Fin is the logarithm growth of household financial net worth. Both data are obtained from the OECD website. US HHNW is the growth of real, per capita net worth of the US households and is from the Board of Governors of the Federal Reserve System. DEM is a dummy variable indicating the Democrat presidential terms. The coefficients is expressed in percentage. p -values in parentheses * $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$.

	Panel A: Equity excess returns in local currencies				Panel B: Equity excess returns in USD			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
DEM	0.0100*** (0.0000)	0.0100*** (0.0000)	0.0088*** (0.0000)	0.0088*** (0.0000)	0.0046*** (0.0008)	0.0045*** (0.0010)	0.0040** (0.0026)	0.0040** (0.0026)
Market Cap		0.0003 (0.4874)		-0.0011** (0.0014)		0.0006 (0.3368)		-0.0000 (0.9746)
US Market Cap			0.0098*** (0.0001)	0.0111*** (0.0000)			0.0049* (0.0111)	0.0049* (0.0145)
Constant	-0.0021* (0.0103)	-0.0024** (0.0099)	-0.0120*** (0.0000)	-0.0123*** (0.0000)	0.0016* (0.0199)	0.0011 (0.1954)	-0.0034 (0.0910)	-0.0034 (0.0921)
N	8084	8084	8084	8084	8084	8084	8084	8084
R-sq	0.008	0.008	0.011	0.011	0.001	0.001	0.002	0.002

Panel C: Currency risk premia				
	(9)	(10)	(11)	(12)
DEM	-0.0054*** (0.0000)	-0.0054*** (0.0000)	-0.0048*** (0.0000)	-0.0048*** (0.0000)
Market Cap		0.0003 (0.4100)		0.0011 (0.0656)
US Market Cap			-0.0049*** (0.0000)	-0.0061*** (0.0000)
Constant	0.0037*** (0.0000)	0.0034*** (0.0000)	0.0087*** (0.0000)	0.0089*** (0.0000)
N	8084	8084	8084	8084
R-sq	0.010	0.010	0.013	0.015

Table 11.

Wealth effect II: market capitalization

This table studies the wealth effect through market capitalization. The market capitalization is the total market value of each country as the end of the month divided by the country's GDP from the previous year. Note that the GDP is at annual frequency while all other variables are at monthly frequency. DEM is a dummy variable indicating the Democrat presidential terms. Market Cap is the market capitalization of the non-US countries while US Market Cap is the market capitalization of the US. p -values in parentheses * $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$.

Panel A: Mean excess returns									
	Local currencies			USD			Foreign exchange		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
DEM	0.010*** (0.000)	0.010*** (0.000)	0.008** (0.006)	0.004** (0.007)	0.004** (0.008)	0.003 (0.256)	-0.005*** (0.000)	-0.006*** (0.000)	-0.004*** (0.000)
Cent		-0.000 (0.720)	-0.000 (0.499)		0.000 (0.907)	-0.000 (0.982)		0.000 (0.215)	0.000 (0.090)
DEM×Cent			0.000 (0.309)			0.000 (0.710)			-0.000 (0.131)
α	-0.002 (0.178)	-0.000 (0.977)	0.001 (0.762)	0.002 (0.091)	0.002 (0.711)	0.002 (0.644)	0.004*** (0.000)	0.002 (0.280)	0.001 (0.637)
N	749	749	749	749	749	749	749	749	749
R-sq	0.068	0.068	0.069	0.021	0.021	0.021	0.124	0.126	0.129

Panel B: Volatility of excess returns									
	Local currencies			USD			Foreign exchange		
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
DEM	-0.004* (0.011)	-0.005** (0.007)	-0.006* (0.040)	-0.002 (0.310)	-0.002 (0.387)	-0.002 (0.604)	0.001 (0.057)	0.002* (0.047)	0.005** (0.002)
Cent		0.000 (0.534)	0.000 (0.701)		-0.001 (0.357)	-0.001 (0.387)		-0.000 (0.388)	0.000 (0.797)
DEM×Cent			0.000 (0.490)			0.000 (0.957)			-0.000** (0.009)
α	0.053*** (0.000)	0.049*** (0.000)	0.050*** (0.000)	0.058*** (0.000)	0.063*** (0.000)	0.063*** (0.000)	0.022*** (0.000)	0.024*** (0.000)	0.022*** (0.000)
N	749	749	749	749	749	749	749	749	749
R-sq	0.128	0.128	0.129	0.089	0.089	0.089	0.479	0.479	0.485

Table 12.

Regression analysis on trade network centrality

This table reports the regression results of Equation (4). The sample period is from 1987 to 2018 in order to match the availability of centrality measure in Figure 7. We annualize the time series by calculating average and standard deviation of monthly observations of stock returns and currency risk premia. The stock returns are denoted in both local currencies and USD. The dependent variables in the Panel A is the average of stock excess returns and in Panel B are their volatilities. p -values in parentheses * $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$.

Panel A: Equity excess returns denominated in local currencies								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
DEM	0.0085*** (0.0000)		0.0086*** (0.0000)	0.0142*** (0.0000)	0.0085*** (0.0000)		0.0087*** (0.0000)	0.0087*** (0.0000)
Deg Cent		0.0002 (0.0818)	0.0003* (0.0458)	0.0008*** (0.0000)				
DEM×Deg Cent				-0.0008*** (0.0001)				
Bet Cent						0.0000 (0.6110)	0.0001 (0.2414)	0.0001 (0.2467)
DEM×Bet Cent								-0.0000 (0.9730)
R-sq	0.007	0.002	0.008	0.010	0.007	0.001	0.008	0.008
N	6479	6479	6479	6479	6479	6479	6479	6479
Panel B: Equity excess returns denominated in USD								
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
DEM	0.0032* (0.0381)		0.0034* (0.0283)	0.0075** (0.0025)	0.0032* (0.0381)		0.0035* (0.0259)	0.0033* (0.0492)
Deg Cent		0.0005*** (0.0003)	0.0006*** (0.0002)	0.0010*** (0.0000)				
DEM×Deg Cent				-0.0006* (0.0126)				
Bet Cent						0.0001* (0.0364)	0.0001* (0.0213)	0.0001* (0.0268)
DEM×Bet Cent								0.0000 (0.6557)
R-sq	0.002	0.003	0.004	0.004	0.002	0.002	0.002	0.002
N	6479	6479	6479	6479	6479	6479	6479	6479
Panel C: Currency risk premia								
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
DEM	-0.0053*** (0.0000)		-0.0052*** (0.0000)	-0.0067*** (0.0000)	-0.0053*** (0.0000)		-0.0052*** (0.0000)	-0.0054*** (0.0000)
Deg Cent		0.0003*** (0.0000)	0.0003*** (0.0000)	0.0002 (0.1185)				
DEM×Deg Cent				0.0002 (0.0556)				
Bet Cent						0.0001*** (0.0003)	0.0001** (0.0053)	0.0001* (0.0118)
DEM×Bet Cent								0.0000 (0.3269)
R-sq	0.011	0.004	0.013	0.014	0.011	0.003	0.011	0.012
N	6479	6479	6479	6479	6479	6479	6479	6479

Table 13.
Fund flow centrality

This table analyses the fund flow network and its interaction with the US political cycle. Panel A presents the regression of equity returns denominated in local currencies as the dependent variable, Panel B presents the equity returns in USD and Panel C presents the currency risk premia. DEM is a dummy variable indicating the Democrat presidential terms. Deg Cent is referred to the degree centrality rank of the country. Bet Cent is referred to the between centrality rank of the country. p -values in parentheses * $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$.

Panel A: Country FE and Year FE							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
DEM	0.154** (0.004)	0.195** (0.005)	0.205** (0.003)	0.093 (0.097)	0.057 (0.415)	0.154** (0.004)	0.088 (0.152)
Ave. Tariff		-0.001 (0.114)	-0.001 (0.197)				
DEM × Ave. Tariff			-0.001 (0.207)				
MFN Tariff				0.012 (0.212)	-0.001 (0.943)		
DEM × MFN Tariff					0.016 (0.345)		
Com. Tariff						-0.003 (0.741)	-0.015 (0.157)
DEM × Com. Tariff							0.027* (0.031)
N	7661	4451	4451	5982	5982	7661	7661
R-sq	0.090	0.084	0.085	0.104	0.105	0.090	0.091
Country FE	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y
Panel B: Time-varying Country FE							
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
DEM	0.127*** (0.000)	0.125*** (0.000)	0.134*** (0.000)	0.116*** (0.000)	0.025 (0.549)	0.127*** (0.000)	0.041 (0.185)
Ave. Tariff		-0.001 (0.155)	-0.001 (0.247)				
DEM × Ave. Tariff			-0.000 (0.293)				
MFN Tariff				0.009 (0.084)	-0.026 (0.086)		
DEM × MFN Tariff					0.040* (0.012)		
Com. Tariff						-0.001 (0.849)	-0.020* (0.033)
DEM × Com. Tariff							0.032** (0.002)
N	7661	4439	4439	5982	5982	7661	7661
R-sq	0.056	0.069	0.069	0.065	0.067	0.056	0.058
Country x month FE	Y	Y	Y	Y	Y	Y	Y

Table 14.
Trade tariffs and risk premia denominated in local currencies

This table analyses the role of tariff and its interaction with the US political cycle. The dependent variable throughout the table is the equity excess returns denoted in local currencies. Panel A presents the regression controlling for both country fixed effect and year fixed effect. Panel B presents the regression controlling for time-varying country fixed effect. DEM is a dummy variable indicating the Democrat presidential terms. Ave. Tariff is referred to the average tariff calculated from the ratio of collected duties to tax revenue. MFN Tariff is referred to the Most-Favored-Nation tariff reported by WTO and Com. Tariff is referred to the combination of both Ave. Tariff and MFN Tariff. p -values in parentheses * $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$.

Panel A: Country FE and Year FE							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
DEM	0.004 (0.920)	-0.013 (0.829)	-0.017 (0.776)	0.039 (0.443)	0.111* (0.029)	0.004 (0.921)	0.047 (0.297)
Ave. Tariff		0.000 (0.692)	0.000 (0.847)				
DEM × Ave. Tariff			0.000 (0.321)				
MFN Tariff				-0.007 (0.176)	0.018* (0.023)		
DEM × MFN Tariff					-0.032*** (0.000)		
Com. Tariff						-0.003 (0.440)	0.005 (0.232)
DEM × Com. Tariff							-0.018*** (0.000)
N	7661	4451	4451	5982	5982	7661	7661
R-sq	0.057	0.051	0.052	0.058	0.060	0.057	0.058
Country FE	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y
Panel B: Time-varying Country FE							
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
DEM	-0.066*** (0.000)	-0.049*** (0.000)	-0.052*** (0.000)	-0.070*** (0.000)	0.015 (0.310)	-0.066*** (0.000)	-0.015 (0.211)
Ave. Tariff		0.000 (0.547)	0.000 (0.682)				
DEM × Ave. Tariff			0.000 (0.407)				
MFN Tariff				-0.009** (0.005)	0.025*** (0.000)		
DEM × MFN Tariff					-0.037*** (0.000)		
Com. Tariff						-0.002 (0.342)	0.008* (0.023)
DEM × Com. Tariff							-0.019*** (0.000)
N	7661	4439	4439	5982	5982	7661	7661
R-sq	0.054	0.062	0.062	0.064	0.068	0.055	0.057
Country x month FE	Y	Y	Y	Y	Y	Y	Y

Table 15.
Trade tariffs and currency risk premia

This table analyses the role of tariff and its interaction with the US political cycle. The dependent variable throughout the table is the currency risk premia. Panel A presents the regression controlling for both country fixed effect and year fixed effect. Panel B presents the regression controlling for time-varying country fixed effect. DEM is a dummy variable indicating the Democrat presidential terms. Ave. Tariff is referred to the average tariff calculated from the ratio of collected duties to tax revenue. MFN Tariff is referred to the Most-Favored-Nation tariff reported by WTO and Com. Tariff is referred to the combination of both Ave. Tariff and MFN Tariff. p -values in parentheses * $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$.