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Did Female CEOs Face a Political Penalty? Insights from the 2024 U.S. Presidential Election

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Abstract:
In 2024, the American electorate re-elected Donald J. Trump as the President of the United States after a closely contested race against female Democratic opponent Kamala Harris. During his time as a political figure, Trump has repeatedly made sexist remarks and expressed skepticism towards female leaders. Such rhetoric may shape public attitudes and influence investor biases, potentially setting back progress towards gender equality. This study brings together previously unconnected strands of research and investigates whether firms led by female CEOs were penalized in the stock market following Trump's election and inauguration. Using an event study methodology, we compare abnormal returns between female-and male-led firms in the S&P 1500 Index across two event windows. The findings reveal no statistically significant differences in abnormal returns based on CEO gender.

Keywords: *U.S. Presidential Election, CEO gender, Stock Returns, Investor Sentiments, Event Study*

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1. Introduction

On November 5th, 2024, Donald J. Trump was elected the 47th President of the United States, reclaiming the office he first held from 2016 to 2020. Notably, both of Trump's victories occurred during historic moments for women in presidential politics. Had Kamala Harris won in 2024, she would have become the first female president in the U.S. history. Instead, the electorate chose to return Trump to office: a convicted felon with a documented history of sexist and misogynistic remarks . The defeats of both Kamala Harris and Hillary Clinton raise a persistent question at the heart of American democracy: is the United States truly prepared to elect a woman to its highest office?

While the full course of Trump's second term remains to be seen, the choice of leader itself signals something about the direction of the country. In 2024, voters cast their ballots in favor of a candidate whose first term was marked by a systematic rollback of women's rights. His administration restricted access to reproductive healthcare, stalled efforts to close the gender pay gap, and appointed Supreme Court justices who ultimately overturned federal abortion protection (Human Rights Watch, 2024).

Beyond policy, Trump's political brand has been closely tied to opposition against gender equality and feminist movements. As *The New York Times* observed, he has aligned himself with a global conservative backlash against what is often labeled "gender ideology" (Zerofsky, 2025). His rhetoric and actions reflect not only a resistance to advancing women's rights, but an active reinforcement of male-dominated power structures, creating a political climate in which women's authority, rights, and competence are increasingly challenged and undermined.

1.1 Theoretical Background and Contribution

While the economic consequences of political events have been widely studied, most research focuses on how elections influence financial markets through expected policy changes, such as shifts in taxation, regulation, or trade. Less attention has been paid to whether political events can also shape investor sentiment, particularly how investors evaluate firm characteristics unrelated to policy, such as CEO gender. This question is especially relevant considering growing evidence that CEO characteristics have implications on company

performance (Bertrand and Schoar, 2003). Although research suggests that female-led firms do not systematically underperform compared to male-led firms in terms of market returns (Wolfers, 2006), they may still face biased evaluations in financial markets (Niessen-Ruenzi and Ruenzia, 2019). These patterns are consistent with the investor sentiment framework (Baker and Wurgler, 2007), which argues that investors are not always fully rational and can be influenced by cognitive and emotional biases.

The 2024 re-election of Donald Trump provides a unique context for exploring these dynamics. Trump's rhetoric has frequently challenged the legitimacy of women in leadership and targeted prominent female political figures (Cassese and Holman, 2019; Monteith and Hildebrand, 2020). At the same time, his communication and perceived authority have been shown to shape investor sentiment directly (Sampath et al., 2022). Despite this development, no study to date has examined whether Trump's gendered communication influences how investors assess female-led firms, leaving a notable gap in the literature that this study aims to address. This study addresses this gap by examining whether firms led by female CEOs in the S&P 1500 experienced different stock market reactions than their male-led counterparts around the 2024 U.S. Presidential Election and inauguration. Specifically, we ask: *Did the 2024 U.S. presidential election and subsequent inauguration affect the stock market performance of firms led by female CEOs differently than those led by male CEOs?*

1.2 Hypotheses

This study aims to bring together three previously unconnected lines of research: first, evidence of gender bias in financial markets; second, the influence of Donald Trump's rhetoric and ideology on societal attitudes toward female leadership; and third, the measurable impact of Trump's messaging on investor sentiment. Based on this synthesis, we formulate the following hypotheses:

Hypothesis 1: Firms led by female CEOs and firms led by male CEOs exhibited different abnormal returns in response to the 2024 U.S. presidential election.

Hypothesis 2: Firms led by female CEOs and firms led by male CEOs exhibited different abnormal returns in response to the 2025 U.S. presidential inauguration.

Hypothesis 3: Female-led firms experienced lower abnormal returns than male-led firms in response to the 2024 U.S. presidential election.

Hypothesis 4: Female-led firms experienced lower abnormal returns than male-led firms in response to the 2025 U.S. presidential inauguration.

1.3 Methodology Overview and Indication of Results

To examine whether political events influence how the market values female-led firms, we employ an event study methodology following the framework proposed by MacKinley (1997). Our event windows are centered around two political events: the U.S. Presidential Election on November 5th, 2024, and the inauguration of Donald Trump on January 20th, 2025. While elections can prompt immediate market reactions, shifts in societal attitudes and ideology may take longer to influence valuations. To capture both potential immediate and delayed effects, and to compare potential differences between the election and the inauguration, we examine both events using an extended event window beyond the conventional event study timeframe. Furthermore, we analyze firms included in the S&P 1500 Index and compare cumulative abnormal returns between female- and male-led firms, allowing us to assess whether Trump's return to the office had a different impact on firms led by women. Moreover, to address the potential of fundamental differences between firms led by male and female CEOs, we employ entropy balancing as outlined by Hainmueller (2012), to reweight one of the samples under analysis.

The results provide no evidence of differences in abnormal returns based on CEO gender, suggesting that neither the presence nor amplification of gender bias disproportionately affected female-led firms during the 2024 U.S. presidential election or the subsequent inauguration of Donald J. Trump.

1.4 Paper Overview

This paper is structured into seven sections. Section two reviews relevant literature and presents the hypothesis development. Section three outlines the sample selection and construction of the entropy balanced sample used in the analysis. Section four describes the event study framework and empirical methodology. Section five presents the results, followed by a discussion in Section six. Finally, Section seven offers concluding remarks.

2. Literature and Theory

This section provides an overview of relevant literature to this study. The section begins with examining the role of the chief executive officer in influencing company performance and whether CEO gender is associated with systematic differences in firm characteristics. We then investigate whether investors evaluate companies differently based on the gender of the CEO, and if such differences, if present, reflect underlying performance disparities or investor bias. Next, we assess whether exogenous events can amplify these biases, with particular focus on Donald Trump.

2.1 CEO Characteristics and Their Financial Implications

Extensive research highlights the impact of chief executive officer (CEO) characteristics on corporate and financial performance, with growing evidence that factors such as education, age and tenure play a significant role (Hambrick and Mason, 1984; Bertrand and Schoar, 2003; Wu, Levitas and Priem, 2005). More specifically, by tracking managers across various firms, Betrand et al. (2003) found substantial variation in corporate decision, such as investments, financial structure and governance, that could be attributed to individual managerial styles. Their findings indicate that observable traits, such as holding an MBA, are associated with higher return on assets and more aggressive risk-taking behavior than non-MBA counterparts exhibited. Additionally, Hambrick and Mason (1984) discovered that age is a predictor of leadership styles, in which older executives generally adopt more conservative strategies than younger ones. Moreover, Wu et al. (2005) found that longer-serving CEOs are more likely to pursue innovation in stable technological environments, meanwhile short-tenured CEOs are more inclined to innovate in dynamic settings, suggesting that tenure and CEO performance are related in different contexts.

The role of CEO gender in explaining financial performance has received increasingly scholarly attention. Several studies suggests that female CEOs are associated with distinctive financial decision-making, often characterized by higher levels of conservatism, stronger governance practices and reduced firm risk exposure (Adams & Ferreira, 2009; Faccio et al., ; Khan & Vieito, 2013). For instance, Khan et al. (2013) report that firms led by a female CEO tend to exhibit lower return volatility, potentially reflecting a more risk-averse leadership style. Similarly, Faccio et al. (2016) observe that female-led companies are often

characterized by lower financial leverage, more stable earnings and greater likelihood of survival compared to similar firms led by male CEOs. Adams et al. (2009) add that gender-diverse boards are associated with stronger governance, as evidenced by more frequent board meetings. Complementing these findings, other research highlights how differences in risk-taking behavior between men and women may influence financial performance (Huang and Kisgen, 2013; Kim, Wang and Zhang, 2015). Huang et al. (2013) find that male executives tend to display greater overconfidence, leading to more frequent acquisitions and increased reliance on debt financing. These decisions, however, are associated with lower announcement returns compared those made by female executives. Kim et al., (2015) show that CEO overconfidence, which is more commonly observed among male leaders, is linked to overestimation of project returns and misjudgments of projects as value-creating despite being unprofitable. The authors further note that these mispredictions can lead to prolonged holdings of underperforming projects, therefore increasing the risk of stock price crashes.

Together, these findings show that CEO characteristics such as education, age and tenure are linked with distinctive financial decision-making. Building on this, additional research present CEO gender as a factor influencing corporate decisions, challenging the neoclassical view that managers are interchangeable or perfect substitutes (Bertrand and Schoar, 2003). Most notably, while studies have found that the gender of the CEO have financial implications (Adams and Ferreira, 2009; Khan and Vieito, 2013; Faccio, Marchica and Mura, 2016), they do not provide conclusive evidence that firms led by female CEOs systematically under- or outperform relative to those firms led by male CEOs. Wolfers (2006) further support this view, showing that between 1992 to 2004, there was no systematic differences in returns when holding stocks in female-led firms versus male-led firms.

2.2 Introducing Investor Sentiment

While firms led by female CEOs do not demonstrate inferior financial performance relative to those led by male counterparts, observable characteristics, such as CEO gender, may nonetheless shape investor perceptions in ways that diverge from purely fundamental assessments (Ackert, Church and Deaves, 2003; Bigelow *et al.*, 2014). The following section introduces a conceptual framework for examining the mechanisms through which female-led firms may be subject to different evaluations by financial market participants and how gender biases manifest in financial and corporate settings.

Baker and Wurgler (2007) define investor sentiment as "*a belief about future cash flows and investment risks that is not justified by the facts at hand"* (p. 129), highlighting that market participants can deviate from fundamental analysis due to speculative or biased-driven behavior. This theoretical perspective provides a foundation for explaining how negative beliefs about female leadership may influence investor responses. While studies have not found that female-led companies systematically underperform compared to male-led firms (Wolfers, 2006; Adams and Ferreira, 2009; Khan and Vieito, 2013; Faccio, Marchica and Mura, 2016), deviations from fundamental assessment may still arise due to biased rather than rational assessments of company performance.

2.2.1 Gender Biases in Corporate and Financial Settings

As presented in previous sections, female leadership is associated with distinctive corporate decision-making, yet not inferior financial performance (Wolfers, 2006; Adams and Ferreira, 2009; Khan and Vieito, 2013; Faccio, Marchica and Mura, 2016). Nevertheless, female leaders are sometimes evaluated though a different, and more critical lens. Eagly et al. (1992) show that female leaders are often rated less favorably than their male counterparts, particularly when they adopt traditionally masculine leadership styles, such as being assertive or directive. This bias is more prevalent in male-dominated industries, where women in leadership positions encounter greater resistance. Bigelow et al. (2014) contribute to this literature by showing that female-led IPOs receive significantly less funding compared to male-led ones, despite similar business fundamentals and leadership qualifications, indicating investor reluctance rooted in gendered perceptions. Nguyen et al. (2024) further show that benevolent sexism, which is characterized by affection, idealization, and protectiveness of women, advantageously impacts male-led startups by improving their evaluation outcomes, without directly disadvantaging women's evaluations. This suggests that benevolent sexism functions as a subtle yet powerful mechanism that reinforces gender inequality in entrepreneurship.

In financial markets, gender bias also manifests in reactions to executive actions. Lee and James (2007) and Gregory et al (2013) find that the announcement of female CEOs tends to elicit significantly more negative market reactions compared to their male counterparts, and that trades initiated by female insiders are undervalued despite being equally informative as the male counterparts in the long-run. Niessen-Ruenzi and Ruenzia (2019) observe similar

patterns in asset management, where mutual funds managed by female executives receive significantly less capital inflows despite comparable performance to those managed by men.

These findings collectively suggest that investor expectations can be influenced by gender-based stereotypes rather than being based solely on objective assessments of financial performance. Driva et al. (2016) argue that such perceptions are grounded in long-standing beliefs that men are inherently more competent in financial matters. In addition, it is reported that finance is traditionally viewed as a male-dominated field (Shinar, 1975; Beggs and Doolittle, 1993; Cejka and Eagly, 1999). These perceptions contribute to subconscious associations, as shown by Greenwald and Banaji (1995), where men may be implicitly viewed as more suitable for financial leadership roles, further reinforcing biased evaluations of female leaders. Thus, while gender biases questioning women's capabilities in corporate leadership exist, their impact on investor sentiment remains uncertain. It is possible that such biases influence how female-led firms are perceived in the market, potentially contributing to less favorable outcomes compared to male-led counterparts.

2.2.2 How Investor Sentiment Deviates from Fundamental Valuation

A differential assessment of female-led firms would only be rational if female-led firms evidently perform worse than their male counterparts. Since this may not be the case, the observed disconnect between company fundamentals and investor responses may suggest that markets reactions are influenced by underlying biases. Fama (1970) argues that in an efficient market, absent of biases, asset prices fully reflect all available information relevant to a firm's value. Under this model, factors such as CEO gender should influence stock prices only to that extent that they affect firm fundamentals. In contrast, a large body of psychological research, including Ackert et al. (2003), emphasizes that investors are not solely rational and are subject to cognitive biases that can lead to deviations from efficient market outcomes.

Baker and Wurgler (2007) propose the investor sentiment framework to understand such irrational financial decision-making. Rather than assuming fully rational markets, their model emphasizes that investor sentiment is rooted in biases, emotions and social attitudes that can result in mispricing. This framework can help explain why firms with female executives experience systematic disadvantage in accessing capital across different contexts, even when firm fundamentals or leadership qualifications are similar (Bigelow *et al.*, 2014), suggesting that gendered stereotypes can be connected to investor sentiment.

2.3 Introducing Political Events

On November 5th, 2024, Donald J. Trump won the U.S. presidential election following a highly polarized campaign against Democratic rival Kamala Harris. Trump previously served as the 45th President of the United States from 2016 to 2020, after winning against Hillary Clinton in a similar campaigning race. While most of the prior literature focus on the impacts surrounding Trump's 2016 election victory and presidency, these findings provide a foundation for analyzing how political events, specifically those involving Trump's re-election in 2024, may influence public attitudes and investor sentiments.

This section reviews existing literature on how political events and Trump's ideological stance on gender equality and female leadership can affect investor sentiment. Together, it contextualizes how Trump's re-election may create distinct challenges for female leaders.

2.3.1 Elections and Political Figures' Influence on Investor Sentiment

Investor sentiment rarely take hold in isolation but is rather closely tied to external shocks, such as political elections, which are known to trigger heightened market volatility due to increased economic policy uncertainty (Shaikh, 2019). Another study add that this pattern is particularly pronounced during tightly contested races or when election outcomes signal ideological shifts in government (Białkowski, Gottschalk and Wisniewski, 2008). Shiller (1981) underscore departure from market efficiency by noting that stock market volatility exceeds levels justified by changes in fundamental analysis, pointing to the influence of sentiment-driven pricing. Consequently, the heightened volatility observed around elections may, at least in part, be driven by shifts in investor sentiment.

Beyond the general election-related effects in financial markets, such as expectation formation and heightened uncertainty, the figure of Donald Trump has played a prominent role in shaping investor sentiment both during and beyond his presidential campaigns. Trump's use of social media, specifically Twitter, served as a direct channel to investors and the public (Sampath, O'Connor and Legister, 2022). Trump's tweets, including those that lacked material information, could significantly create stock market movements. Investor responses were not solely driven by the content of the tweets, but also by the emotional tone and perceived authority of the source. Most notably, the study emphasizes that the power and

credibility of the message source, the President of the United States, amplified these market reactions. These findings imply that political messaging from influential political leaders through social media serve as a powerful channel for shaping investor sentiment.

2.3.2 Trump's Narrative on Gender: Rhetoric and Ideological Stance

Donald Trump's entry into politics was marked by misogynistic rhetoric and offensive comments towards women, which research has linked to a broader shift in public attitudes and behavior. Owen and Wei (2021) find that Trump's condescending tweets about women corresponded with a significant increase in sexist Google research, indicating a measurable effect on gender discrimination in public discourse. This finding reinforces the evidence presented in Section 2.3.1, highlighting that Trump's communication through social media, combined with his authority as an influential politician, can influence societal attitudes. Similarly, Huang and Low (2017) report that following the 2016 election and Trump's first entry into the White House, men in experimental settings demonstrated less cooperate and more aggressive behavior towards women in negotiation contexts, suggesting a shift that normalized previously restrained sexist attitudes. These findings highlight that Trump's rise to political power provided social permission for more overt expressions of gender bias, highlighting setbacks in the progression towards gender equality.

Beyond influencing general social attitudes towards women, Trump also appeared to mobilize political support among individuals harboring sexist beliefs. Monteith and Hildebrand (2020) shows that individual who expressed stronger sexist beliefs, both benevolent and hostile, were more likely to vote for Trump in the 2016 election, suggesting that gender bias became a mobilizing force in his electoral support. Additional studies are consistent with these findings: Ratliff et al. (2019) find that voters with sexist attitudes were more likely to support Trump over Hillary Clinton, while Vescio and Schermerhorn (2021) present that Trump's embodiment of aggressive masculinity appealed to individuals who endorse hegemonic masculinity. These studies further indicate that support for Trump was partly driven by resistance to female leadership, i.e., Hillary Clinton, suggesting that Trump's appeal was attributable to narratives that devalued women's competence in leadership positions.
Several studies suggest that Trump contributed to a broader ideological shift characterized by resistance to female leadership. During Trump's 2016 presidential campaign, he accused Hillary Clinton for "*playing the woman card",* implying that her achievements were attributable to gender rather than merit (Cassese and Holman, 2019), thereby undermining

perception of female competence. The study further show that this rhetorical strategy boosted Trump's support among voters with high levels of hostile sexism. Additionally, Sorrentino et al. (2022) also note that this accusation worked as a tool to de-legitimize Clinton's candidacy, thereby reinforcing skepticism toward female political leadership. These studies suggests that Trump's rhetoric contributed to an ideological landscape increasingly resistant to women's advancements into leadership roles.

Collectively, this Section provides empirical basis for the argument that Trump's negative attitudes towards women, both in leadership positions and in civil society, affected social attitudes towards women. Alongside the findings presented in Section 2.3.1, which highlight Trump's influence on public perception, this suggests that his misogynistic beliefs and sexistic rhetoric may have contributed to an ideological shift in society with regards to gender equality. A question that remains unanswered is whether these societal attitudes can spill-over to affect investor sentiments.

2.4 Hypotheses Development

Prior research presented in Section 2.1 has established that CEO characteristics are an important determinant of corporate and financial outcomes (Hambrick and Mason, 1984; Bertrand and Schoar, 2003; Khan and Vieito, 2013; Faccio, Marchica and Mura, 2016). In particular, studies have shown that female CEOs exhibit distinct financial decision-making compared to their male counterparts (Adams and Ferreira, 2009; Faccio, Marchica and Mura, 2016). However, research have not found that female-led firms systematically underperform in terms of stock market performance (Wolfers, 2006; Adams and Ferreira, 2009). Nevertheless, prior research indicates that investors can hold biases that disproportionately and incorrectly underestimate firms with female CEOs or founders (Gregory *et al.*, 2013; Niessen-Ruenzi and Ruenzia, 2019). These observations align with the investor sentiment framework proposed by Baker and Wurgler (2007), which highlights that investors can be influenced by biases and emotions, resulting in non-objective firm evaluations.

Building on the presence of gender biases in financial markets, it becomes interesting to analyze whether external market events, in this case the 2024 U.S. presidential election and the inauguration of Donald Trump, amplify these biases. The impact of elections on market behavior is well-documented. However, prior research has not specifically examined whether

an election marked by an ideological shift, characterized by skepticism towards female leaders, affect investor perceptions of female-led firms. Although, what has been examined is that Trump's attitude and communication strategies have reinforced sexist attitudes (Huang and Low, 2017; Owen and Wei, 2021), generated doubt of women's competence (Ratliff *et al.*, 2019; Monteith and Hildebrand, 2020; Vescio and Schermerhorn, 2021), and delegitimized female leadership (Cassese and Holman, 2019; Sorrentino, Augoustinos and LeCouteur, 2022). Moreover, research has also shown that Trump, leveraging the authority associated with his position as the President of the United States, was able to influence investor expectations and behavior (Sampath, O'Connor and Legister, 2022).

These findings therefore suggest two important but previously unconnected findings: first, that Trump's rhetoric and ideology influenced societal attitudes towards female leadership and second, that Trump messaging have measurable effects on investor sentiment. To date, no study has analyzed whether Trump's 2024 election and the following presidential inauguration, given his history of gendered rhetoric, disproportionately affected the stock market performance of female-led firms compared to male-led firms.

Drawing on existing literature while addressing the identified research gap, we formulate the following hypotheses:

Hypothesis 1: Firms led by female CEOs and firms led by male CEOs exhibited different abnormal returns in response to the 2024 U.S. presidential election.

Hypothesis 2: Firms led by female CEOs and firms led by male CEOs exhibited different abnormal returns in response to the 2025 U.S. presidential inauguration.

Hypothesis 3: Female-led firms experienced lower abnormal returns than male-led firms in response to the 2024 U.S. presidential election.

Hypothesis 4: Female-led firms experienced lower abnormal returns than male-led firms in response to the 2025 U.S. presidential inauguration.

The hypotheses are structured to capture both the presence and possible direction of gender bias in financial markets. Hypothesis 1 examines whether the female-led firms experienced

different abnormal returns compared to male-led firms after the 2024 U.S. Presidential Election. Hypothesis 2 treats the Inauguration Day as a distinct event, allowing us to assess whether the market reaction to Donald Trump's return to office differs between his election and his formal assumption of power. Hypotheses 3 and 4 introduce directional expectations, grounded in research suggesting that female leadership is often devalued relative to male leadership. These hypotheses test whether such bias is reflected in relatively lower abnormal returns for female-led firms, particularly in a political climate that may reinforce skepticism toward female authority.

3. Data Collection and Sample Selection

This section provides an overview of the data employed in the study, input selection for main models, and the procedures used to construct the analytical samples.

3.1 Defining Sub-Samples

In this study, firms are classified as *female-led* if their Chief Executive Officer (CEO) was female as of November 5th, 2024. That is, the date of the U.S. Presidential Election. In contrast, firms with a male CEO on this date are classified as *male-led.* This definition introduces an early limitation as CEO transitions involving a change in gender during the event window could result in misleading interpretations of the data.

3.2 Sample Selection

This study examines stock price movement of the 2024 U.S. presidential election on U.S.-based companies. Therefore, we limit the analysis to companies domiciled in the United States and listed on a U.S. stock exchange, enabling us to analyze the population of interest and stock price movements. More specifically, we examine firms included in the S&P 1500 Index, which comprises the S&P 500, S&P MidCap 400, and S&P SmallCap 600 indices. The composite index includes a diverse set of companies across different industries, collectively representing approximately 90% of the total U.S. market capitalization ('S&P', 2020). As such, it provides a comprehensive and representative sample of publicly traded companies in the United States. From the S&P 1500 Index, data were collected on 1,447 companies, including stock prices and other relevant firm-level variables, using Capital IQ Pro. Of these, 126 companies were classified as female-led.

3.3 Selecting a Benchmark for Market Returns

To evaluate the stock market response to the U.S. Presidential Election, we rely on the financial concept of abnormal returns, defined as the difference between the observed return of a security and its expected return predicted by a benchmark model. In line with MacKinlay's (1997) review of event study methodologies, we employ the market model to estimate expected returns and calculate abnormal returns (ARs). The market model is defined as "*a statistical model which relates the return of any security to the return of the market portfolio*" (MacKinlay, 1997, p.6), and is widely recognized as a representation of the normal return model in event studies.

The selection of an appropriate market index is essential, as it must effectively serve as a proxy for the market portfolio. A broad-based index that reflects the overall U.S. equity market is preferred for this purpose. While S&P 1500 Index could be considered an appropriate benchmark for market returns, it includes all firms in our sample, which may result in event-induced bias due to the event affecting both the sample and the benchmark (MacKinlay, 1997). To mitigate this risk, we selected the CRSP Total Market Index as our benchmark. The index includes approximately 4,000 constituents across mega-, large-, small- and micro-cap segments, representing nearly the entire U.S. equity market ('CRSP', 2024) Hence, it offers broader coverage than the S&P 1500 Index and is more independent of our sample.

3.4 Corrections for Outliers and Skewness

When dealing with real-world data, there are often irregularities in the data such as outliers and skewed distributions. To adjust for this, we apply two pre-processing techniques to all variables that will be used in this study as control variables or for the sample re-construction. The methods include winsorizing and natural logarithm transformations. Winsorizing has been applied at the 1 percent level, meaning that all observations below the 1st percentile are set to the 1st percentile, and values above the 99th percentile are set to the 99th percentile. This method helps address extreme observations. Furthermore, we have applied natural logarithmic transformations to reduce positive skewness in highly skewed variables.

3.5 Enhancing Comparability Between Female- and Male-Led Firms

Traditional short-window event studies generally assume that firm-specific characteristics remain relatively stable and therefore do not include covariate adjustments when estimating abnormal returns (MacKinlay, 1997; Kothari and Warner, 2007). In contrast, this study introduces a cross-sectional dimension by examining different effects between female-led firms and male-led firms. As discussed in Section 2.1, prior research shows that CEO gender can influence financial performance. Accordingly, systematic differences between male- and female-led firms could confound the observed relationship between CEO gender and stock price reactions to the event.

3.5.1 Entropy Balancing

To improve comparability between the subsamples (female- and male-led firms), this study employs entropy balancing, a re-weighting technique introduced by Hainmueller (2012). Entropy balancing is a preprocessing method for estimating binary treatment effects in observational studies, where the objective is to achieve covariate balance between non-randomly assigned groups. The model improves balance on included covariates by calibrating unit weights to the comparison group (male-led firms). In this context, the technique aims to ensure that observable firm-level characteristics are statistically balanced across groups ex-ante.

Entropy balancing, as described by Hainmueller (2012), addresses several limitations of traditional matching methods such as Propensity Score Matching (PSM). In this study, PSM resulted in insufficient covariate balance and sample loss, likely attributable to greater heterogeneity within the male-led group. In contrast, entropy balancing preserved 87% of the original sample and achieved superior covariate balance. Moreover, it does so without the need for iterative model adjustment.

3.5.2 Identifying Relevant Covariates for Entropy Balancing

Prior to entropy balancing, selection of covariates needs to be justified. Covariates are included based on their predictive power of group membership, in this case, the probability of a firm being led by a female CEO. The objective is to identify characteristics that systematically differ between the groups and reweight the sample to achieve covariate balance across these variables.

Given the challenge of identifying all potentially relevant firm-level characteristics, we focus on key accounting variables that prior research has shown to differ significantly between female- and male-led firms. For instance, industry affiliation varies by gender, with female CEOs underrepresented in certain sectors (Aabo *et al.*, 2024), supporting the inclusion of industry classifications as a covariate. Firm size is also relevant, as female CEOs are more commonly found in smaller firms, a pattern well-documented in the literature (Bertrand and Hallock, 2001). Furthermore, empirical research has documented gender-based differences in risk preferences in financial decision-making, where female-led firms tend to exhibit lower financial leverage (Faccio, Marchica and Mura, 2016). This conservative approach not only directly influences leverage, but may also result in reduced exposure to high-risk, high-return investments and distinct growth trajectories, typically reflected in valuation metrics such as P/E ratios or Tobin's Q. While evidence on valuation remains mixed, some studies report higher market valuations for female-led firms during periods of economic stress, such as the COVID-19 pandemic (Thornton and Vasilakis, 2024), though others attribute such differences to selection effects rather than intrinsic performance advantages (Betton *et al.*, 2023). Finally, prior research shows no consistent evidence that female-led firms systematically underperform relative to their male-led counterparts in terms of financial performance, although differences appear to emerge during period of elevated uncertainty. For example, during the COVID-19 pandemic, female-led firms were found to be more profitable, more risk-averse, and more highly valued than male-led firms (Thornton and Vasilakis, 2024).

Supported by the empirical literature outlined above, we select the following covariates for entropy balancing:

- Industry: Defined by a two-digit SIC code,
- Firm Size: Measured by market capitalization,
- Profitability: Measured using return on equity (ROE),
- Leverage: Measured with debt-to-equity ratio (D/E), and
- Valuation: Measured using the price-to-EPS ratio.

Based on this set of covariates, descriptive tests are conducted to assess whether findings in the literature holds within our sample. Specifically, we compare female- and male-led firms using two-sample t-tests for mean differences in continuous variables and Pearson's Chi-Squared approximation test for differences in categorical distributions. These tests are

conducted prior to entropy balancing to determine which covariates warrant inclusion in the reweighting procedure. Covariates exhibiting significant differences between the groups are included in entropy balancing.

Appendices 2 and 3 summarize key differences between female- and male-led firms before entropy balancing. The t-test shows limited variation across most covariates, except for a marginally significant gap in debt-to-equity ratio, supporting the inclusion of leverage in the reweighting. The Chi-squared approximation shows a clear link between CEO gender and industry, indicating that the two groups operate in different sectors. These patterns justify inclusion of both leverage and industry (SIC codes) in the entropy balancing process to improve comparability.

3.5.3 Balancing Covariates Using Entropy Balancing

Following the identification of covariates to be included in the balancing procedure, we apply entropy balancing in accordance with Hainmueller (2012) to construct a reweighted group of male-led firms that is statistically comparable to the group of female-led firms.

Formally, let $X_j \in \mathbb{R}^K$ represent the vector of K covariates for each comparison unit j, and let $\bar{X}_{\mathrm{T}}$ denote the average covariate vector for the treatment group. The algorithm finds a set of non-negative weights ω_j, such that:

$$\sum_{j=1}^{n_0} \omega_j X_j = \bar{X}_{\mathrm{T}}$$

where

$$\sum_{j=1}^{n_0} \omega_j = n_0 , \quad \omega_j \geq 0$$

To determine the optimal weights, entropy balancing minimizes the deviation between the new weights and a uniform base distribution. This is done with the following function:

$$\min_{\omega} \sum_{j=1}^{n_0} \omega_j \log\left(\frac{\omega_j}{u_j}\right)$$

where $u_j = 1$ for all j, indicating equal base weights prior to rebalancing.

Moreover, to enable the entropy balancing procedure, adjustments were made to the sample to ensure methodological validity. Specifically, observations from industries that were not represented in both groups were excluded to ensure common support. In addition, covariates that were collinear, constant, or redundant were removed from the model matrix to avoid identification issues and ensure stable weight estimations.

3.5.4 Testing Quality of Entropy Balancing

To evaluate the effectiveness of the entropy balancing procedure, descriptive diagnostics with two-sample t-tests and standardized mean differences (SMDs) tests was conducted. The change in statistical tests reflect the transformation of the SIC variable from a single categorial variable pre-balancing, which is appropriately tested using a Chi-squared approximation, to multiple binary indicators post-balancing, for which mean comparisons via t-tests are methodically appropriate. The primary objective of the tests is to evaluate whether differences in covariate means were rendered statistically insignificant after application of entropy balancing, thereby indicating that the balancing constraints were satisfied. Additionally, standardized mean differences (SMDs) are computed and evaluated based on a conventional threshold of $|SMD| < 0.1$ as recommended by Hainmueller (2012), to indicate acceptable covariate balance.

Post-balancing diagnostics indicate that entropy balancing led to modest improvements in covariate comparability. A comparison of pre- and post-balancing t-tests (Appendices 2 and 4) show that mean differences decreased and were largely rendered statistically insignificant, with only a few covariates exhibiting marginal significance. SMD (Appendix 5) remained unchanged with only two covariates (Industry Division 3 and 7) falling below the conventional 0.1 threshold (Hainmueller, 2012). This limited change likely reflect both the targeting of mean balance rather than full distributional equivalence and low initial imbalance. Overall, the diagnostics suggests that the reweighting procedure improved mean convergence to a reasonable extent, supporting its use in the subsequent regression analysis.

4. Methodology

This section outlines the empirical framework that we use to examine stock market reaction around the 2024 U.S. Presidential Election and the subsequent inauguration. The analysis employs an event study methodology, following the approach presented by MacKinlay (1997). Expected or normal returns are estimated for each firm using the market model over a 253-day pre-event estimation window. These returns are then compared to actual returns during the two event windows to calculate cumulative abnormal returns (CARs).

To test our hypotheses, we employ Welch t-tests and ordinary least squares (OLS) regressions to explain the cross-sectional variation in CARs, using CEO gender as the key independent variable. The baseline regression model includes firm-specific control variables and industry fixed effects to account for observed heterogeneity that may drive stock returns. In addition to this, we re-estimate the model using a reweighted sample derived from the entropy balancing procedure to address covariate imbalance between female- and male-led firms. Lastly, we repeat the regressions without control variables and fixed effects to check the robustness of the baseline model.

4.1 The Event Study Framework

An event study methodology enables us to assess a horizontal impact of the election on firm value. Our research design approach is primarily based on the methodology presented in *"Event Studies in Economics and Finance"* (MacKinlay, 1997). The purpose of an event study is to study the impact of a specific event on a firm's stock price over a defined time window. The reaction is measured through abnormal returns, which is the difference between the actual returns of a stock and the expected returns.

We define two event windows, each spanning from 30 days before to 30 days after the specified events. The first event is centered around the 2024 U.S Presidential Election (November 5th, 2024) and the second event is centered around the presidential inauguration (January 20th, 2025). Both events are defined as day 0 in their separate event windows.

4.1.1 The Market Model

As outlined by MacKinlay (1997), the market model is a simple method to estimate normal or expected returns for a stock. Assuming a linear relationship between firm returns and market returns, the model is specified as:

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it}$$

Where R_{it} is the return for stock *i* and R_{mt} is the return for the market on day *t.* β_i and α_i are firm-specific parameters that explain the systematic risk in relation to the market and the expected return independent of market movement of security i, respectively. The market return is proxied by the CRSP Total Market Index.

4.1.2 Estimating Beta and Alpha of our Sample

To determine normal or expected returns, firm-specific parameters α_i and β_i are estimated for each firm. In accordance with MacKinlay (1997), the parameters will be estimated over an approximately 250-day estimation window prior to the event. In our case, it will be a 253-day window before the first event window, that is, the election window. This is done separately for each firm before computing the expected returns using the model specified in 4.1.1. The formulas are specified as follows:

$$\beta_i = \frac{\sum_{t=1}^{T}(R_{mt} - \bar{R}_m)(R_{it} - \bar{R}_i)}{\sum_{t=1}^{T}(R_{mt} - \bar{R}_m)^2}$$

and

$$\alpha_i = \bar{R}_i - \beta_i \bar{R}_m$$

In these formulas, $\bar{R}_i$ and $\bar{R}_m$ are the average return for the firm and the market, respectively, over the 253-day estimation period. T is the number of trading days in the estimation period, i.e., 253 days.

4.1.3 Cumulative Abnormal Returns

Once the expected return is estimated, we calculate abnormal returns (AR) for each firm i on each day t within the specified event windows. Rearranging the market model formula, we calculate abnormal returns as:

$$AR_{i,t} = R_{i,t} - \left(\alpha_i + \beta_i R_{m,t}\right)$$

In this specification, $AR_{i,t}$ is the abnormal return for security i on day t and $R_{m,t}$ is the market return on day t, that is, the return of the CRSP Total Market Index. β_i and α_i are the firm-specific parameters which have been estimated in Section 4.1.2.

We then calculate cumulative abnormal return (CAR) for each firm by summing the abnormal returns over the event window:

$$CAR_i(t_1, t_2) = \sum_{t_1}^{t_2} AR_{it}$$

4.4 Empirical Tests

To test whether CEO gender had a significant effect on firms' stock market performance following the 2024 U.S. Presidential Election and the Inauguration, we first conduct Welch t-tests. These tests assess whether the mean difference in cumulative abnormal returns (CARs) between the two samples is statistically significant, providing a baseline understanding before proceeding to a series of cross-sectional regression analyses. In the cross-sectional regressions, we adopt an explorative approach, beginning with a baseline regression that includes control variables and industry fixed effects. This regression is estimated first using the unweighted sample and then re-estimated based on the sample obtained through entropy balancing. To further assess the robustness of our model, we repeat the model on both samples without including control variables or industry fixed effects.

4.4.1 Welch T-Tests

As an initial step in the analysis, a Welch two-sample t-tests is conducted as outlined by L. Welch (1947) to compare cumulative abnormal returns (CARs) between female-led and male-led firms. Unlike OLS regression which assumes equal variance (homoscedasticity) in cumulative abnormal returns across the two groups, the Welch t-tests does not require that assumption, making it appropriate when variability differ between female- and male-led firms. By applying this, we can observe whether differences in average stock price responses are economically meaningful, that is, significantly different, without relying on assumptions that may not hold in the data in our specified models. The tests statistics is calculated as:

$$t = \frac{\bar{X}_F - \bar{X}_M}{\sqrt{\frac{s_F^2}{n_F} + \frac{s_M^2}{n_M}}}$$

Where $\bar{X}_F$ and $\bar{X}_M$ are sample means of cumulative abnormal returns (CARs) for female- and male-led firms, respectively. s_F^2 and s_M^2 are the corresponding sample variances while n_F and n_M denote the sample size for female-led firms and male-led firms, respectively.

4.4.2 Baseline Regression Specification: Model with Controls and Fixed Effects

To formally test our hypotheses of whether female-led firms experienced differential or lower stock market returns following the election and inauguration compared to male-led firms, we conduct the following baseline cross-sectional regression on both event windows on the unweighted sample:

$$CAR_i = \beta_0 + \beta_1 FemaleCEO_i + \beta_2 ROE_i + \beta_3 \frac{D}{E_i} + \beta_4 \frac{P}{EPS_i} + \beta_5 Marketcap_i + \gamma_j IndustryFE_j + \varepsilon_i$$

In this specification, the dependent variable CAR_i is the cumulative abnormal return for firm i. The coefficient of interest, β_1, captures the difference in abnormal returns between female-led firms ($FemaleCEO_i = 1$) and male-led firms ($FemaleCEO_i = 0$). To isolate the effect of CEO gender, the model includes control variables associated with stock returns according to prior literature, which are justified in Section 4.4.3. These include return on equity (ROE), leverage (D/E), price-to-earnings per share ratio (P/EPS) and firm size (market capitalization). Furthermore, industry fixed effects, based on a two-digit SIC code, are included to account for unobserved sector-specific factors that influence stock returns.

4.4.3 Justification of Control Variables

The baseline regressions include control variables based on prior research linking firm characteristics to stock market returns following political events, particularly the 2016 U.S. Presidential Election which have been studied more extensively. While the variables included partly overlap with those employed in the entropy balancing described in Section 3, their inclusion in the baseline regression model serves to control for their potential influence on the

dependent variable, i.e., cumulative abnormal returns, rather than to model the probability of CEO gender.

While literature provides limited clarity on the role of profitability in explaining abnormal returns after political events, some evidence suggest it may still be relevant. For example, one study that analyzed 2,000 U.S. companies from 1963 to 2006 found that long-run profitability is positively associated with stock returns and negatively related with stock return volatility (Gschwandtner and Hauser, 2016). Based on this, we still include return on equity (ROE), a proxy for profitability, as a control variable to help mitigate bias in our results. Additionally, literature suggest that high-tax firm and those with large deferred tax liabilities (DTL) were expected to earn higher returns in anticipation of Trump's proposed tax cuts (Wagner, Zeckhauser and Ziegler, 2018). However, because DTL data was not consistently available across the firms analyzed in this study, leverage (D/E) is used as a control instead as the Trump administration would no longer allow deduction of interest expenses that exceeds interest income, thus negatively affecting highly leveraged companies (Wagner, Zeckhauser and Ziegler, 2018). Furthermore, market capitalization is also included as a control variable since larger, multinational companies typically have greater international exposure. According to Wagner et al. (2018) these firms faced lower returns due to trade restrictions, while smaller firm benefited from domestic U.S. growth. Lastly, the price-to-earnings per share (P/EPS) ratio is included as a control. This is because Trump's deregulation was expected to benefit high-growth firms in heavily regulated industries (Kundu, 2024), suggesting that value-and growth stocks may have responded differently following the election.

4.4.4 Reweighted Sample Regression on Main Regression Model

As presented in Section 3, descriptive tests suggest that the sample of female- and male-led firms differ with respect to certain firm characteristics, more specifically, debt-to-equity (D/E) ratio and industry affiliation. Unlike control variables, which are incorporated directly into the regression model to adjust for firm characteristics that may confound the relationship between CEO gender and abnormal returns, balance adjustments on covariates are made prior to the estimation. Hence, these adjustments serve the purpose of increasing comparability between female-led and male-led firms before running the regression. To address these imbalances between the samples, we re-estimate the baseline cross-sectional regression presented in Section 4.4.2 on this reweighted sample, including controls and industry fixed effects.

4.4.5 Univariate Regression

Lastly, we run univariate regressions on both events, excluding control variables and industry fixed effects. We do this on both the unweighted and reweighted samples. While this approach does not account for confounding variables, it explores how sensitive our findings are to model specifications, and by comparison, sample balancing.

4.5 Tests for Model Validation

As this study relies on linear regression models, a series of diagnostic tests are applied to ensure validity and robustness of the results. Hence, Generalized Variance Inflation Factors (GVIFs) are used to assess multicollinearity. We use GVIFs instead of traditional VIFs, as they are better suited for models that include categorial variables with multiple levels, such as industry fixed effects (Fox and Monette, 1992). To test for heteroskedasticity, the Breusch-Pagan test is employed, which is a standard method for detecting non-constant error variance in OLS regression models (Breusch and Pagan, 1979). Finally, visual diagnostics, including Q-Q plots of standardized residuals and residuals versus fitted values plots, are employed to evaluate the assumptions of normality, linearity, and homoscedasticity. Together, these tests provide a comprehensive framework for validating the classical assumptions underlying OLS regression.

5. Results

This section presents hypothesis testing, comparative overview of key variables across the two groups, followed by a general summary of the empirical findings, and relevant robustness checks.

5.2 Hypothesis Testing

Based on the hypotheses outlined in Section 2.4, our results indicate that none of the four hypotheses are supported at the 10% significance level. The findings therefore indicate that the gender bias identified in previous literature was neither apparent nor amplified by the outcome of the 2024 U.S. presidential election of Donald Trump and the subsequent inauguration.

Hypothesis 1 posits that firms led by female CEOs exhibited different cumulative abnormal returns than male-led firms in response to the 2024 U.S. Presidential Election on November

5th, 2024. This hypothesis is not supported, as both the Welch two-sample t-test and the female CEO coefficient in the regressions on election day revealed no statistically significant differences. Hypothesis 3, which specifies a directional expectation for such a difference, i.e., that female-led firms would experience lower cumulative abnormal returns, must also be rejected. This conclusion is supported by the consistently insignificant coefficient of the dummy variable across the relevant regression models.

Hypothesis 2 propose that the abnormal returns after the presidential inauguration on January 20th, 2025, would differ between female- and male-led firms. Consistent with the findings from Election Day, the results reveal no significant difference in cumulative abnormal returns based on CEO gender. Both the t-test and the estimated coefficients for the gender dummy variable were statistically insignificant. Accordingly, Hypothesis 2 is not supported. In line with this, Hypothesis 4, which specifies a directional effect on Inauguration Day, is also rejected due to the absence of statistically meaningful differences as indicated by the CEO gender dummy variable.

5.3 Summary of results

This section presents the empirical results of the study, including summary statistics for the key variables employed, outputs from the two two-sample t-tests and event study regressions across different samples, varying specifications of control variables and industry fixed effects, as well as distinct event dates.

5.3.1 Descriptive Statistics

To provide a better context for the upcoming empirical results, Table 1 presents summary statistics for the key variables employed in this study, separately for female-led and male-led firms.

Table 1: Descriptive Statistics by Gender

	Female-led firms					Male-led firms				
Variable	**Mean**	**SD**	**Median**	**Min**	**Max**	**Mean**	**SD**	**Median**	**Min**	**Max**
CAR – election	-7.175	3.717	-6.657	-20.185	0.031	-7.548	3.707	-7.449	-24.913	2.294
CAR – inauguration	-2.990	1.552	-2.749	-8.300	0.052	-3.120	1.537	-3.086	-10.245	0.999
Market cap	9.149	1.551	8.915	6.258	13.073	8.988	1.514	8.776	6.022	15.049
Price/eps	3.136	0.614	3.092	1.292	5.044	3.170	0.744	3.118	0.150	5.658
D-E ratio	0.014	0.025	0.010	-0.101	0.131	0.010	0.024	0.007	-0.101	0.131
ROE	0.155	0.428	0.112	-1.909	2.180	0.136	0.411	0.117	-1.984	2.180

The cumulative abnormal returns (CARs) differ slightly between female- and male-led firms across both events. On election day, female-led firms show a mean CAR of -7.18 compared to -7.55 for male-led firms, with similar standard deviations, indicating comparable volatility. Median CARs are also closely aligned. For the inauguration event, the mean CAR for female-led firms is -2.99 versus -3.12 for male-led firms, again with small differences in medians and standard deviations. These descriptive statistics suggest that overall market reactions to both events are broadly similar across gender. However, whether these differences are statistically meaningful will be evaluated in subsequent analyses.

Firm size, proxied by market capitalization, appears marginally higher on average for female-led firms (9.15) than for male-led firms (8.99). This finding challenge common assumptions that female-led firms are typically smaller in size (Bertrand and Hallock, 2001). Valuation, as measured by the price-to-earnings ratio (P/EPS), is similar across groups (3.14 for female-led firms versus 3.17 for male-led firms), suggesting comparable market pricing relative to earnings. Profitability, proxied by return on equity (ROE), shows similar central tendencies across the two groups, though female-led firms demonstrate slightly greater variability. Leverage, measured by debt-to-equity (D/E) ratio also displays minimal differences between groups in both mean and median values.

Taken together, these descriptive statistics support the assumption of relative balance between the two subgroups; an assumption that was formally assessed during the covariate selection process for entropy balancing. Thus, we conclude that the subgroups are sufficiently homogeneous, with no substantial disparities in the distribution of key firm characteristics.

Furthermore, we construct a correlation matrix to examine the pairwise relationships among all variables included in the regression analyses, as shown in Table 2.

Table 2: Correlation Matrix for Regression Variables

	CAR	*Female CEO*	*Market cap*	*Price/eps*	*ROE*	*D/E*
CAR	1.00					
Female CEO	0.03	1.00				
Market cap	0.21***	0.03	1.00			
Price/EPS	-0.09**	-0.01	0.20***	1.00		
ROE	0.01	0.03	0.10***	-0.05.	1.00	
D/E	0.06*	0.04	0.00	0.00	0.47***	1.00
. p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001						

Table 2 presents correlation coefficients for dependent and independent variables included in the regressions. CAR is positively and significantly correlated with firm size and weakly with leverage, suggesting that larger and more leveraged firms experienced slightly higher abnormal returns during the election window. A small but significant negative correlation can also be observed between CAR and firm valuation (price/EPS). The female CEO variable is not significantly correlated with CAR or any other control, indicating that CEO gender is not confounded with firm-specific characteristics in this sample. Importantly, no correlation coefficient exceeds 0.50, suggesting low risk of multicollinearity among the variables.

5.3.2 T-Tests

To examine whether cumulative abnormal returns (CARs) differ significantly between female- and male-led firms, Welch two-sample t-tests were conducted for both events: Election Day and Inauguration Day. This statistical approach tests for differences in mean CARs between the two groups while allowing for unequal variances. The results, presented in Table 3 and Table 4, assess whether any observed differences in market response are statistically meaningful.

Table 3: Welch's Two-Sample t-test Results – Election Day Window

Statistic	**Female-led firms**	**Male-led firms**	**Difference**
Mean CAR	-7.175	-7.548	0.373
t-value	1.077		
Degrees of Freedom (df)	149.73		
p-value	0.2833		
95% Confidence Interval	[-0.312, 1.058]		
Significance	Not significant		

Table 4: Welch's Two-Sample t-test Results – Inauguration Day Window

Statistic	**Female-led firms**	**Male-led firms**	**Difference**
Mean CAR	-2.990	-3.120	0.130
t-value	0.896		
Degrees of Freedom (df)	149.38		
p-value	0.3714		
95% Confidence Interval	[-0.156, 0.415]		
Significance	Not significant		

The results show that the differences in means are small and statistically insignificant. The confidence intervals for both tests include zero, providing no evidence of a significant difference in CARs between the groups. These findings suggest that, at the univariate level and without a reweighted sample, CEO gender did not influence abnormal returns following either political event.

5.3.3 Event Study Regressions

Table 5 presents the results from the four main regressions of this study. The first two regressions (column 1 and 2) are based on a sample that has not been adjusted for systematic differences between firms but include controls for profitability (ROE), firm size (market capitalization), leverage (debt-to-equity ratio), and valuation (P/EPS ratio), as well as industry fixed effects. The results show that the average cumulative abnormal return (CAR) for male-led firms, captured by the intercept, is negative and statistically significant: -15.018% for Election Day and -6.162% for Inauguration Day. The difference in the CAR between male-led and female-led firms is not statistically significant in either model, indicating that the performance of the two groups did not differ meaningfully following these events. The models demonstrate a moderate explanatory power, with R^2 and adjusted R^2 values of 0.629 and 0.519 for Election Day, and 0.631 and 0.521 for Inauguration Day, respectively.

To account for potential systematic differences between male- and female-led firms, the regressions were repeated using samples derived through entropy balancing, while maintaining the same controls and fixed effects (column 3 and 4). Following reweighting, the average CARs for male-led firms remained statistically significant, with estimated abnormal returns of -14.046% for Election Day and -5.750% for Inauguration Day. This suggests that, after adjusting for observable firm characteristics, male-led firms experienced statistically significant negative abnormal returns around both events. However, the difference in CAR between male-led and female-led firms remained statistically insignificant in the reweighted sample. Furthermore, the explanatory power of the models declined slightly following entropy balancing. The R^2 and adjusted R^2 values dropped to 0.436 and 0.406 for Election Day, and to 0.444 and 0.414 for Inauguration Day, indicating a weaker ability of the reweighted models to account for variability in abnormal returns.

Firm size, measured by market capitalization, is positively and significant associated with CARs across all models, indicating that larger firms tend to experience less negative or more stable abnormal returns around the political events. In contrast, valuation (P/EPS) is consistently negative and significant, suggesting that highly valued firms react more adversely. ROE is insignificant in the imbalanced sample but turns positive and significant in the reweighted models, implying that profitability becomes more relevant when firm characteristics are balanced. The debt-to-equity ratio remains insignificant throughout and shows high variability, especially in the election models, pointing to weak or inconsistent effects of leverage on market reactions to these events.

Table 5: Regression Results with Control Variables and Fixed Fffect

	Unweighted		Entropy balanced	
	(1)	(2)	(3)	(4)
	Election	Inauguration	Election	Inauguration
Intercept (male-led)	-15.018***	-6.162***	-14.046***	-5.750***
	(2.584)	(1.070)	(1.350)	(0.559)
Gender: Female-led (vs. Male-led)	-0.105	-0.063	0.103	0.012
	(0.290)	(0.120)	(0.170)	(0.070)
Market Cap	0.488***	0.208***	0.443***	0.192***
	(0.056)	(0.023)	(0.056)	(0.023)
Price/EPS	-0.330**	-0.148**	-0.532***	-0.239***
	(0.127)	(0.053)	(0.142)	(0.059)
ROE	0.009	0.028	0.443*	0.196*
	(0.231)	(0.096)	(0.224)	(0.093)
D/E	3.022	0.957	-4.371	-1.810
	(3.874)	(1.604)	(3.640)	(1.506)
Observations	1264	1264	1264	1264
R^2	0.629	0.631	0.436	0.444
R^2 *Adj.*	0.519	0.521	0.406	0.414
Log Likelihood	-2768.960	-1654.511	-3306.491	-2191.213
F-statistic	5.69	5.74	14.27	14.71

. p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

Note: "Unweighted" and "Entropy balanced" refer to the sample on which the regressions are based. "Election" corresponds to Election Day on November 5th, 2024, while "Inauguration" refers to Inauguration Day on January 20th, 2025.

Table 6 presents the regression results without the inclusion of control variables or industry fixed effects. Across all four specifications of this univariate model, the coefficients for the intercept (male-led firms) are consistently negative and statistically significant. However, the difference in cumulative abnormal returns (CAR) between male-led and female-led firms remains statistically insignificant across all models, indicating that the absence of controls does not materially alter the lack of differential performance between the two groups. The omission of firm-level controls and industry fixed effects has substantial implications for model explanatory power. The R^2 and adjusted R^2 values are close to zero in all specifications, suggesting that the models explain virtually none of the variation in cumulative abnormal returns. Overall, these results are considerably weaker in informational content

compared to the models that include firm characteristics and industry controls, as reflected by the low explanatory power reported in Table 6.

Table 6: Regression results without control variables or fixed effect

	Unweighted		**Entropy balanced**	
	(1)	**(2)**	**(3)**	**(4)**
	Election	**Inauguration**	**Election**	**Inauguration**
Intercept (male-led)	-7.548***	-3.120***	-7.304***	-3.021***
	(0.102)	(0.042)	(0.137)	(0.057)
Gender: Female-led (vs. Male-led)	0.373	0.130	0.129	0.031
	(0.346)	(0.143)	(0.196)	(0.081)
Observations	1446	1446	1446	1446
R^2	0.001	0.001	0.000	0.000
R^2 *Adj.*	0.000	-0.000	-0.000	-0.001
Log Likelihood	-3945.632	-2673.788	-4275.459	-3006.492
F-statistic	1.16	0.82	0.44	0.15
. p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001				

Note: "Unweighted" and "Entropy balanced" refer to the sample on which the regressions are based. "Election" corresponds to Election Day on November 5th, 2024, while "Inauguration" refers to Inauguration Day on January 20th, 2025.

5.4 Robustness Considerations

To ensure the validity and robustness of the empirical findings, a series of diagnostic tests were conducted as outlined in Section 4.5. These included generalized variance inflation factor (GVIF) analysis to assess multicollinearity among explanatory variables, the Breusch-Pagan test to examine the presence of heteroskedasticity, and residual plots to evaluate the normality and distribution of error terms.

The results for the GVIFs assessments are indicated in Appendix 6 and indicate acceptable levels of multicollinearity, with all values below 5. This is further strengthened by the adjusted GVIF values, which remain close to zero. The Breuch-Pagan test, as presented in Appendix 7, yielded a p-value of 0.9995, indicating no statistically significant evidence of heteroskedasticity in the residuals. The first residual diagnostic plot on residuals versus fitted values presented in Appendix 8, suggests that residuals are distributed around zero, without evident patterns or curvature, supporting the assumptions of linearity and homoscedasticity. While the Q-Q plot of standardized residuals (Appendix 9) show some deviations in the tails,

the residuals generally align with the normal distribution. Overall, these diagnostics support the appropriateness of the OLS model assumptions.

6. Discussion

In this Section, we will give an interpretation of our results and then connect our findings to the literature presented in Section 2. Given the deviation from our formulated hypotheses, we attempt to interpret the results through literature that may account for this discrepancy. Hence, we adopt an explorative approach that does not provide statistical evidence but offers plausible interpretations.

6.1 Interpretation of Results

This study finds no statistically significant evidence of differential stock market reactions between firms led by female and male CEOs in response to the 2024 U.S. presidential election and the subsequent inauguration of Donald Trump. CEO gender does not appear to explain variations in abnormal returns between the groups during the examined event windows. Across all model specifications and samples, both Welch t-tests and the regression analyses yield consistently non-significant coefficients for the female CEO indicator. This uniformity across tests strengthens the conclusion that the gender of a firm's CEO did not meaningfully influence stock returns during these political events.

If markets had penalized female-led firms following Trump's election, perhaps due to his rhetoric or perceived stance on female leadership, we would expect to observe underperformance among those firms. The lack of such a pattern suggest that CEO gender was not viewed as a relevant input in investor decision-making during this period. Interpreted through the lens of semi-strong market efficiency, which holds that all publicly available information is incorporated into stock prices (Fama, 1970), our findings indicate that CEO gender did not serve as a material signal of firm value in this context.

That said, this absence of a significant effect does not necessarily imply the absence of underlying bias. Rather, it may suggest that any existing bias, if present, was not strong enough, widespread enough, or activated by the political context in a way that translated into observable differences in market behavior. The results ultimately point to a market

environment in which CEO gender was not a salient factor in shaping investor sentiment during the 2024 presidential election and inauguration period.

6.2 Discussion of Results

6.2.1 Reassessing the Role of the CEO

The main finding of this study is that CEO gender did not significantly influence firms' abnormal returns during the event windows examined. While the precise drivers of this result are not definitively known, the institutional environment and executive selection processes of the firms in our sample offer an informative context. As constituents of the S&P 1500 Index, these firms are subject to regulatory oversight, public disclosure requirements, and continuous market evaluation; conditions that promote transparency and reduce the role of arbitrary or informal decision-making (Investopedia, 2025). CEO appointments in such firms are typically the outcome of structured, multi-stage processes involving board approval, shareholder input, and performance-based assessments, all aimed at selecting candidates best positioned to enhance firm value (Galainena *et al.*, 2024). In this sense, CEO selection is far from random, but rather shaped by institutional norms and accountability mechanisms that prioritize competence and alignment with shareholder interest. Although governance quality is not uniform across all public firms, with smaller companies often exhibiting weaker oversight (Nili and Kastiel, 2021), a significant portion of our sample comprises large- and mid-cap firms where governance standards tend to be stronger. This institutional setting may help explain why investors did not respond differently to female-led firms; the structured nature of executive selection and transparency of firm performance metrics likely reduce the salience of CEO demographics in investment decisions. Moreover, as noted by García-Meca and Sánchez-Ballesta (2009), robust governance practices can mitigate the influence of non-performance-related factors and increase investor confidence. These factors, taken together, may help contextualize the absence of a gender-based effect in our results.

6.2.2 Exploring Whether Context Influenced the Presence of Bias

In line with the discussion on corporate governance expectations and information availability, the parallel between gender bias in corporate settings and in the stock market may be limited, as different contexts might offer varying degrees of room for bias to influence decisions. The literature in Section 2 consistently points towards the presence of gender biases in capital

markets, including in areas such as growth funding and asset management (Niessen-Ruenzi and Ruenzia, 2019; Nguyen *et al.*, 2024). This existing research focus on private firms in early growth stages, where information asymmetry is larger and subjective evaluations more present. In these settings, investors might rely more on intuition and informal signals due to limited standardized information. Moreover, in growth fundings and venture capital, investor relationships are more personal, allowing investors to form judgements about the executives based on implicit biases. In contrast, the S&P 1500 firms in our sample operate under high levels of information transparency, which reduces the role of personal bias in investment decisions (S&P Global, 2019). Investor relationships with management are also more distant, particularly for retail investors, who rely on public disclosures rather than personal relationships. Moreover, while biases toward female executives might exist, public markets have corrective mechanisms; if such biases lead to undervaluation, other investors are incentivized to exploit the mispricing, thereby reducing the persistence of gender-based effects (Fama, 1970). As such, the difference in context and information availability may offer a possible explanation for the absence of gender-based effects in our findings, though this remains speculative.

6.2.3 Investigating Potential Driver of Abnormal Returns

Given that CEO gender did not have the anticipated impact, it is worth mentioning which factors did appear to matter. The results indicate that firm-level control variables, reflecting key financial fundamentals, were more strongly associated with abnormal returns than CEO gender. While we cannot directly observe investor motivations, if abnormal returns are interpreted as a reflection of market expectations around the election, the findings suggests that investors may have been focused more on firm-specific fundamentals than on CEO gender when assessing potential risks and opportunities.

The results of this study indicate that certain firm-level characteristics, particularly market capitalization and price-to-earnings per share ratio (P/EPS), was a significant predictor of variation in abnormal returns around the event windows examined. Based on research from the 2016 presidential election, market capitalization was included as a control variable due to the rationale that larger, often multinational firms might be more exposed to geopolitical shifts and vulnerability to changes in trade policies, especially in the context of an increasingly protectionist economic agenda (Wagner, Zeckhauser and Ziegler, 2018). In contrast, the findings of this study suggests that larger firms experienced relatively higher abnormal

returns. While speculative, this could reflect investors anticipating that such firms would perform well during periods of political uncertainty, possibly because they face fewer financial constraints and are better positioned to manage elevated levels of risk (Timbate *et al.*, 2024).

Similarly, the findings show a negative association between the price-to-earnings per share (P/EPS) ratio and abnormal returns during the event windows, indicating that firms with higher valuations experienced lower abnormal returns. While existing literature does not directly link P/E ratios to political events, studies have suggested that expectations of deregulation under the Trump administration boosted the earnings outlook for high-growth firms in heavy regulated industries (Kundu, 2024). In this context, our results may reflect a market shift towards firms perceived as undervalued and likely to benefit from expected policy changes.

6.3 Limitations and Future Research

To the best of our knowledge, this study is the first to quantitatively examine the potential impact of Donald Trump's 2024 re-election on gender biases toward female leadership within the stock market. Our findings indicate that, across the defined event windows, there was no statistically significant "gender effect" in terms of abnormal returns, suggesting that Trump's re-election did not produce the anticipated impact. However, the validity of these conclusions is constrained by the methodological framework employed, particularly due to the lack of comparable prior research. In this section, we attempt to address the key limitations that might compromise the robustness of this study and its findings, and address how they might be solved in future research.

A central assumption of this study is that if a gender-related effect was prevalent following Trump's re-election, it would appear immediately. The absence of such evidence does not rule out its existence; rather, it is plausible that the impact unfolds over a longer time horizon. Although we employed an extended event window relative to conventional event study methodologies to account for this, it may still have been insufficient to capture any potential effects. Building on this line of reasoning, one might also question the appropriateness of using an event study framework to assess such an impact. While this approach aligns with the nature of our research question and is therefore justified in this context, a longer-term

analytical design may be better suited to examine broader implications of Trump's re-election on gender biases in financial markets.

An important methodological limitation of this study is the lack of a proper benchmark. Even if a significant effect had been observed, attributing it confidently to Trump's re-election would be insufficient without a valid counterfactual. For an effect to be meaningfully linked to this specific election, it should not be apparent in comparable elections. Strengthening causal inference would therefore require a parallel analysis using a different presidential election as a comparative benchmark.

A common challenge in studies comparing male- and female-led firms is establishing meaningful comparability between the two groups. A substantial body of research has identified systematic differences in fundamental characteristics between firms led by male and female CEOs. To address this, we employed entropy balancing to improve comparability between the groups, but the adjustments had limited improvement, as the subsamples were already relatively homogenous with respect to the selected covariates. As a result, the reweighting was based on a limited set of variables and contributed only marginally to the overall analysis. This contrasts with earlier studies and may reflect the limited number of female-led firms in our sample, where only 126 firms were led by women, which could restrict variability within that group. While expanding the sample could increase representation slightly, structural underrepresentation of women in executive roles would likely maintain the imbalance. For future research, it would be advantageous to construct a sample that more accurately reflects the heterogeneity identified in prior studies.

Another limitation of this study arises from the selection of control variables. The selection was primarily informed by prior evidence on factors influencing abnormal returns during past elections. However, the process was constrained by limited data availability, which necessitated the use of more general firm-level indicators that, while broadly reflective of firm fundamentals, were also relevant in the context of election-related market responses. For example, during the 2016 election, Trump's proposed tax cuts were expected to reduce the value of interest tax shields, which are more significant for highly leveraged firms. To account for this potential market response, we included leverage as a control variable. While deferred tax liabilities as a control would have been more ideal, data for that variable were unavailable for a large portion of our sample, making leverage a more practical proxy for firm's

sensitivity to tax policy changes. Similar limitations applied to other potentially informative control variables. Consequently, the controls employed may not have been the most effective in capturing abnormal returns variation, potentially reducing the precision of our estimate. Incorporating more granular firm-level data could potentially enhance the robustness of future analyses.

7. Conclusion

This paper was informed by prior research indicating that Donald Trump, through his perceived authority, could influence stock market behavior through political messaging and public communication. Accordingly, we aimed to examine whether Trump's broader rhetoric, often critical of female figures in political and public life, has a comparable effect on investor responses to female-led firms. This study shows no evidence that firms led by female CEOs within the S&P 1500 Index exhibited statistically different abnormal returns compared to male-led firms following the 2024 election of Trump and his subsequent inauguration.

Our study contributes to the empirical literature by addressing an understudied question where research is incomplete: whether the gendered ideological stance of a powerful political figure can influence investor behavior. Specifically, we examine if Trump's public criticism of female political opponents and broader negative rhetoric toward women had an impact on perceptions of female leadership in the corporate settings. To the best of our knowledge, while prior studies have studied market behavior around elections and others have compared female- and male-led firms, none seem to have examined whether a political event can trigger differential market responses based on the gender of the chief executive officer.

While the findings of this study offer relevant insights, their validity is constrained by the methodological approach employed. Further research on this topic is necessary to more reliably assess the potential effects of political figures, particularly those expressing skepticism toward female leadership and women's rights, on gender-related investor biases. We encourage future studies to build on and address the limitations of our work. This includes re-evaluating the suitability of a short-term event study framework for capturing potential long-term biased effects, employing comparable political events to establish benchmarks, using larger and more diverse samples to broaden market coverage and capture greater variation among female-led firms, and incorporating more granular firm-level control variables to improve model precision.

While we can neither confirm nor rule out the existence of gender biases in financial markets, we hope this study contributes to research on the potential undervaluation of female leadership in the corporate world, both in stable conditions and in response to exogenous events that may act as catalysts for investor bias.

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Appendix

Appendix 1: Variable Definition

Variable	Definition
ROE	Return on equity. Return on money provided by the firm's owners. Winsorized at the 1 percent level.
D/E	Debt-to-equity ratio. Debt as a percentage of total equity. Winsorized at the 1 percent level.
Market cap	Market capitalization. Aggregate market capitalization of all issues of common equity whether traded or non-traded, including convertible common stock on a one-to-one basis until the conversion window opens, and then at the conversion rate. If pricing is not available for secondary classes, the price of primary class is applied. Log transformed.
P/EPS	Price/EPS. Price as a multiple of earnings per share. Log transformed.
Industry FE	Industry fixed effect as determined by a two digit SIC code
Industry Division 1	Mining
Industry Division 2	Construction
Industry Division 3	Manufacturing
Industry Division 4	Transport and Utilities
Industry Division 5	Wholesale Trade
Industry Division 6	Retail Trade
Industry Division 7	Finance, Insurance, Real Estate
Industry Division 8	Services

Appendix 2: T-test comparison: Female Versus Male-led Firms Before Entropy Balancing

Variable	Female Mean	Male Mean	Difference	p-value	Significance
Market Cap	9.149	8.989	0.160	0.270	ns
ROE	0.155	0.136	0.019	0.631	ns
D/E	0.014	0.010	0.004	0.082	.
P/EPS	3.136	3.171	-0.034	0.584	ns

. p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

Appendix 3: Chi-Squared Approximation for Industry Affiliation Before Entropy Balancing

Test	X^2	Degrees of freedom	p-value
Grouped SIC codes	93.006	70	0.0344
Full SIC codes	367.910	306	0.0087

Appendix 4: T-test Comparison: Female Versus Male-led Firms After Entropy Balancing

Variable	Mean		Difference	p-value	Significance
	Female	Male (weighted)			
Industry division 3	0.373	0.371	0.002	0.8790	ns
Industry division 4	0.143	0.143	0.000	0.0611	.
Industry division 6	0.103	0.104	0.000	0.0848	.
Industry division 7	0.214	0.214	0.001	0.4210	ns
Industry division 8	0.013	0.105	-0.002	0.0843	.
D/E	0.014	0.014	0.000	0.0833	.

Appendix 5: Standardized Mean Difference Comparison

Covariate	SMD (Before)	SMD (After)
Industry division 3	-0.014	-0.014
Industry division 4	0.193	0.193
Industry division 6	0.180	0.180
Industry division 7	-0.074	-0.074
Industry division 8	-0.151	-0.151
D/E	0.166	0.166

Appendix 6: Generalized Variance Inflation Factors (GVIF) for Model Variables

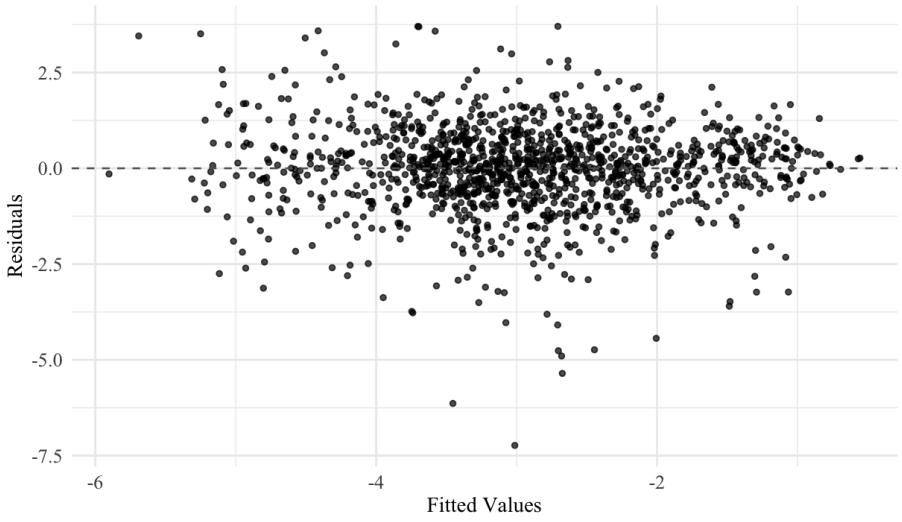
Variable	GVIF	Degrees of Freedom (Df)	Adjusted GVIF
Female Dummy	1.225	1	1.107
Market cap	1.239	1	1.113
Price/eps	1.529	1	1.237
D/E	1.553	1	1.246
ROE	1.521	1	1.233
Industry FE	2.687	60	1.008

Notes: GVIF = Generalized Variance Inflation Factor. Adjusted GVIF is computed as GVIF^(1/(2*Df)) and used for variables with more than one degree of freedom, such as industry classification factors. All values are well below common concern thresholds (VIF<5).

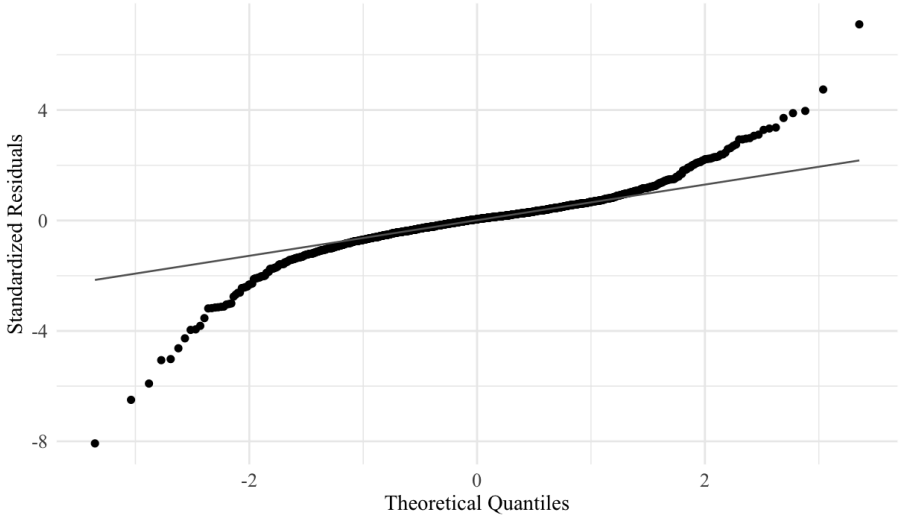
Appendix 7: Breusch-Pagan Test for Heteroskedasticity

Test statistic	Degrees of Freedom	p-value	Conclusion
34.013	65	0.9995	No evidence of heteroskedasticity

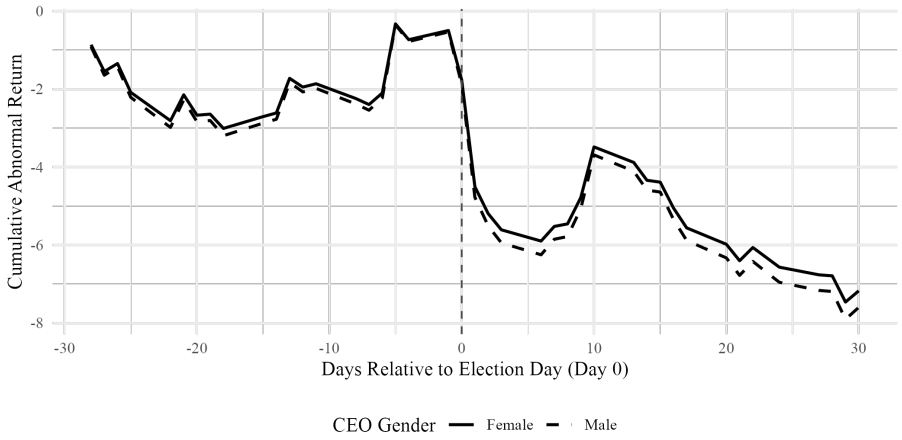
Appendix 8: Residuals Versus Fitted Values



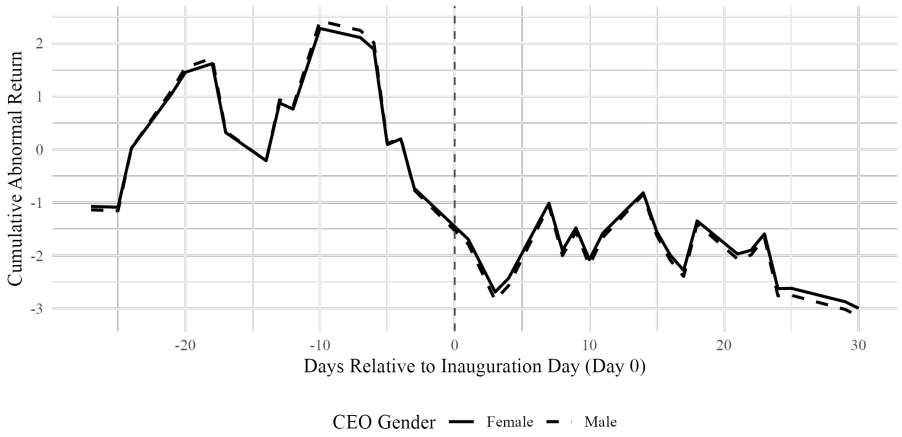
Appendix 9: QQ Plot of Standardized Residuals



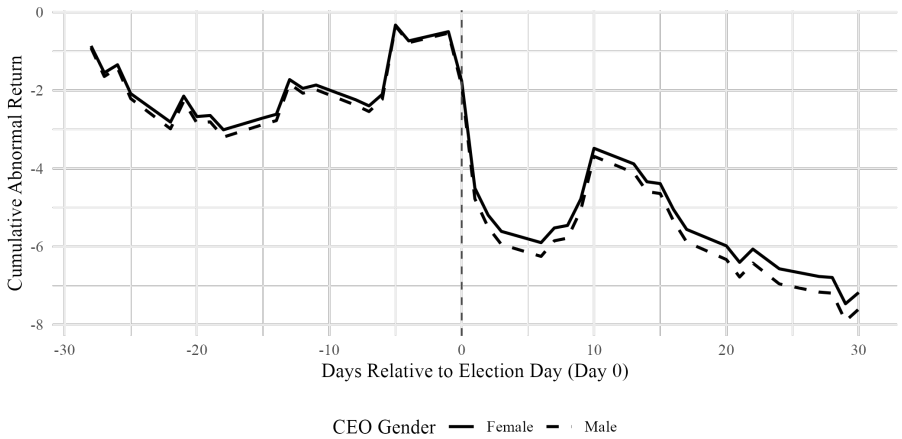
Appendix 10: Cumulative Abnormal Returns Around the 2024 Presidential Election with Unweighted Sample, control Variables, and Fixed Effects



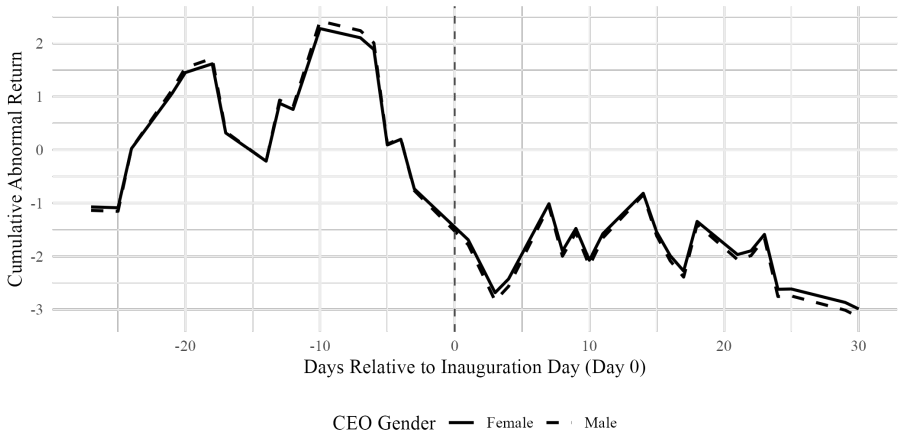
Appendix 11: Cumulative Abnormal Returns Around the 2025 Presidential Inauguration with Unweighted Sample, Control variables, and Fixed Effects



Appendix 12: Cumulative Abnormal Returns Around the 2024 Presidential Election with Entropy Balanced Sample, Control Variables, and Fixed Effects



Appendix 13: Cumulative Abnormal Returns Around the 2025 Presidential Inauguration with Entropy Balanced Sample, Control Variables, and Fixed Effects



Appendix 14: The Use Generative AI

In this thesis, AI has been used as a supportive tool in several areas. Specifically, it has been assisted with troubleshooting and formatting during the coding process. As with any external aid, all AI-generated suggestions and have been critically reviewed and adjusted before implementation. Additionally, ChatGPT was used to assist with language-related tasks, such as grammar checking, identifying suitable synonyms, and improving sentence structure. In all cases, the input provided by the AI was carefully evaluated, and no content was adopted without modification or critical judgement.