TRUMP TARIFF ON INDONESIA STOCK EXCHANGE. DOES THE MARKET RECOVER ONE MONTH AFTER THE ANNOUNCEMENT?

Andreas Kiky
Pradita University
andreas.kiky@pradita.ac.id

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Abstract - This study examines the Indonesian stock market's reaction to the U.S. tariff announcement on April 1, 2025. The Indonesian Stock Market tends to overreact to the Trump Announcement. This paper presents the latest empirical findings on the effect of the Trump Tariff announcement, made immediately after the market reopened following a long holiday and a month after the event. Employing an event study methodology, the research analyses abnormal returns of 782 listed firms using the Capital Asset Pricing Model (CAPM) to estimate expected returns. The analysis focuses on two critical points: April 8th 2025, when the market reopened after the announcement, and April 30th, the end of the post-event window. The findings reveal a significant negative abnormal return immediately after the market reopened, followed by a strong positive abnormal return at the end of the month. A paired-sample test confirms a statistically significant difference in abnormal returns between these two periods. Cross-sectional analysis across beta tertiles shows that systematic risk levels influenced investor reactions, with low-beta stocks experiencing the most pronounced reversal. These results highlight the sensitivity of emerging markets to global policy shifts and underscore the importance of risk exposure in shaping investor behaviour.
Keywords: Event Studies; Tariff Effect; Abnormal Return; Efficient Market Hypothesis; Policy Spilover

1. INTRODUCTION

1.1 Research Background

In recent years, trade tensions, protectionist policies, and geopolitical uncertainty have increasingly shaped the global economic landscape. A prominent example of this trend was the trade stance adopted by Donald Trump during his presidency in 2025, which continued into his subsequent political narrative, marked by a series of tariff announcements targeting major global economies. The existing literature has examined the impact of U.S. tariff policies on developed markets and direct trading partners such as China (Fajgelbaum & Khandelwal, 2022). The potential spillover effects on emerging economies, particularly through investor sentiment and financial markets, remain underexplored.

Capital markets are susceptible to macroeconomic policy announcements, especially those perceived to influence international trade dynamics (Andritzky et al., 2007). The specific macroeconomic announcements have a significant influence on the jump intensity in stock markets, highlighting the market's sensitivity to such news and affecting stock market behaviour (Kiriu & Hibiki, 2024; Rangel, 2011). Announcements such as tariff hikes can introduce policy uncertainty, alter global demand and supply chain expectations, and shift investor risk perception, particularly in globally integrated markets. In this context, financial

markets in emerging economies like Indonesia may exhibit measurable reactions to global policy signals, even when not directly targeted.

While the impact of tariff announcements on global capital markets has been widely studied, the focus has predominantly centred on developed economies or direct trade partners such as China. In contrast, empirical evidence on how emerging markets respond to the latest Trump Announcement remains relatively sparse, particularly in the short term. This is especially true in Southeast Asia, where capital markets are increasingly integrated yet still subject to local economic frictions and investor behaviour unique to the region. Moreover, most prior studies have treated markets as homogeneous entities, with limited attention to cross-sectional variations in systematic risk exposure. The role of beta, as a proxy for a stock's sensitivity to market movements, has rarely been explored as a moderator in event-driven reactions within emerging markets like Indonesia. This gap is notable given that investors with differing risk appetites may respond asymmetrically to the latest Trump announcements, such as tariff impositions.

This study aims to address these gaps by investigating how the Indonesian stock market responded to Donald Trump's April 1st, 2025, tariff announcement. In particular, it examines whether the event generated statistically significant abnormal returns and whether these responses varied across beta-tiered stocks. This provides insight into the differential sensitivity of high and low-risk assets. To address these aims, the study is guided by the following research questions:

1. Did significant abnormal returns occur when the Indonesian market reopened after the April 1st 2025 tariff announcement?
2. Was there a statistically significant change in abnormal returns between the start (April 8th 2025) and end (April 30th 2025) of the post-announcement period?
3. Did the abnormal return response to the tariff announcement differ across stocks grouped by their levels of systematic risk (beta tertiles)?

This study contributes to the literature in several ways. First, it adds to the growing but still limited body of empirical research on how emerging markets respond to the latest international policy shocks, particularly under short-term conditions. Second, unlike previous event studies that treat the market as a homogeneous entity, this paper introduces a cross-sectional dimension by examining how stock-level risk exposure moderates the market reaction. Third, the paper incorporates a paired comparison approach to capture investor sentiment at two critical points: immediately after the market reopened and at the end of the month, offering insights into both immediate and delayed responses to global policy signals. These findings provide a nuanced understanding for investors, policymakers, and academics interested in the intersection of international trade policy and financial market behaviour in emerging economies.

1.2 Tariff Announcement and Stock Market Reaction

Tariff announcements, especially those initiated by major economies like the United States, are among the most influential trade policy shocks that can trigger global market responses. Prior literature consistently demonstrates that capital markets are highly responsive to such announcements due to their direct and indirect implications for corporate earnings, supply chains, investor confidence, and international relations.

A key body of research has examined the U.S. and China trade war, highlighting how tariff escalation periods were associated with increased volatility, pricing inefficiencies, and shifts in risk perception. U.S. tariffs were passed to domestic consumers and importers,

reverting cost shocks across supply chains (Amiti et al., 2019). Similarly, China's stock market experienced negative abnormal returns in response to U.S. tariff impositions, particularly in sectors reliant on foreign trade (Shi et al., 2021). These findings indicate that markets often interpret tariff announcements as signals of economic friction and rising uncertainty.

In addition to direct trade partners, there is growing recognition that emerging markets can also be impacted, even when not explicitly targeted. The U.S.-China trade war increased return and volatility connectedness across markets, with particularly pronounced effects in downside conditions (Bissoondoyal-Bheenick et al., 2022). Countries with trade deficits, those directly subjected to tariff impositions, showed muted and mixed market reactions, indicating that investors may have already anticipated trade tensions or expected a policy reversal. In contrast, trade-surplus countries exhibited significant positive cumulative average abnormal returns (CAARS), suggesting investor optimism regarding potential benefits from trade diversion or reallocation (Rao et al., 2025). This indicates that even non-targeted emerging markets like Indonesia may experience sentiment-driven spillovers from global policy announcements.

However, much of the existing literature focuses on broad market indices or specific sectors, and rarely accounts for the cross-sectional heterogeneity among stocks. The role of firm-level characteristics, particularly systematic risk (beta), in moderating market response to trade policy shocks remains underexplored. This gap is particularly relevant in emerging markets, where investor behaviour may differ due to thinner markets, more substantial sentiment effects, and greater sensitivity to global cues.

2. RESEARCH METHODOLOGY

2.1 Methodology

This study adopts a quantitative, event-study approach to examine the impact of Donald Trump's April 1st 2025, tariff declaration on the Indonesian stock market. The research design assumes that financial markets respond quickly to new information and that such reactions can be captured by analysing abnormal returns surrounding the event window. The event study methodology is well-suited for assessing how investors reassess asset values in response to discrete, unanticipated events. In this case, the Indonesian market was closed during the announcement and reopened on April 8th, providing a clean post-announcement observation window. The study estimates monthly abnormal returns representing the post-announcement market response. To strengthen the findings' robustness, the study compares these abnormal returns with those observed before the event (captured through a return window ending on April 8). It classifies stocks into beta tertiles to detect heterogeneous responses based on systematic risk exposure. The Capital Asset Pricing Model (CAPM) estimates expected returns, allowing abnormal returns to be isolated and interpreted as market reactions to the announcement. Overall, the research design integrates cross-sectional analysis, pre- and post–event comparison, and risk segmentation, aligning with established practices in financial event studies while tailoring the framework to an emerging market context.

2.2 Data Collection

The study utilises secondary data comprising stock prices, market indices, and financial indicators for 782 companies listed on the Indonesia Stock Exchange (IDX). The selection of firms is based on data availability, with only those stocks for which return and beta data could be reliably retrieved included in the analysis. The primary period of interest spans from April 8 to April 30, 2025, representing the post-announcement window following the U.S. tariff policy disclosure on April 1st, 2025. Since the Indonesian market was closed during the

announcement (April 1–7 2025), April 8th 2025 marks the first trading session that could reflect investor reaction.

Daily stock prices were obtained from IDX, while Yahoo Finance provided the 5-year monthly beta estimates used to calculate expected returns under the CAPM framework. The Jakarta Composite Index (IHSG) proxied the market return, and the risk-free rate was based on the Bank Indonesia 7-Day Reverse Repo Rate (BI7DRR), converted to a monthly equivalent for consistency with the beta frequency. Stock prices were adjusted for corporate actions such as stock splits or dividends where appropriate. Based on their CAPM beta values, firms were classified into three beta tertiles: low, medium, and high systematic risk to facilitate comparative and cross-sectional analysis. This classification enabled the study to assess whether investor responses to the announcement varied depending on the stock's risk profile.

2.3 Variable and Measurement

Two actual returns are measured based on the stock price from the beginning of March 2025 (March 3rd, 2025), the day of the first trading day after the Trump announcement (April 8th, 2025), and the post-event on April 30th, 2025. Each stock return is calculated using Equation 1.

$$R_i = \frac{P_t - P_0}{P_0} \quad \ldots\ldots\ldots \text{ Equation (1)}$$

The expected return is estimated using CAPM. This paper estimates it monthly using monthly beta, market return, and risk-free rate. The expected return is calculated using Equation 2.

$$E(R)_i = R_F + \beta_i(R_M - R_F) \ldots\ldots\ldots \text{ Equation (2)}$$

The abnormal return is the difference between actual and expected returns. This value indicates whether a stock's performance deviated positively or negatively from the market-based benchmark during the event period. The abnormal return is calculated based on Equation 3.

$$AR_i = R_i - E(R)_i \ldots\ldots\ldots \text{ Equation (3)}$$

To examine the role of systematic risk in moderating market responses, firms are classified into three beta tertiles, where each tertiles account for 33% of the research sample. This grouping facilitates cross-sectional analysis of abnormal return behaviour across different levels of risk exposure. The classification of the beta tertile is:

- Tertile 1 (Low Beta): Stocks with the lowest one-third of beta values
- Tertile 2 (Moderate Beta): Middle third
- Tertile 3 (High Beta): Highest third, representing risk-sensitive assets

2.4 Hypothesis Development and Data Analysis

According to the semi-strong form of the Efficient Market Hypothesis, stock prices should incorporate all publicly available information, including policy announcements (Fama, 1970). Market reaction to policy announcements can provide insights into the welfare effects of these decisions, which can be reflected in abnormal returns (Beigi & Budzinski, 2013; Pandey & Kumari, 2021). When markets reopen after a major geopolitical or economic shock, such as a tariff imposition, investors adjust their expectations, often resulting in abnormal returns. Prior research shows that trade-related news can trigger either negative or positive market responses depending on perceived economic impact, investor sentiment, and market

anticipation(Amiti et al., 2019; Bissoondoyal-Bheenick et al., 2022). Given the market closure on April 1–7, any price adjustment is expected to be reflected when the market reopens on April 8th.

H1: Following the tariff announcement, the Indonesian stock market exhibited statistically significant monthly abnormal returns on April 8th and April 30th, 2025.

Market reactions may evolve beyond the initial shock period. The delayed response hypothesis suggests that markets may not fully price new information immediately, particularly in emerging markets with lower liquidity or when the news is ambiguous (Barberis et al., 1997; Kiky, 2020). A comparison between April 8 and April 30 returns allows for detecting whether investor sentiment, confidence, or interpretation of the policy announcement shifted throughout the post-event window.

H2: Monthly abnormal returns on April 30th will be higher than those on April 8th, indicating a change in market perception one month after the announcement.

Under CAPM, beta measures a stock's exposure to systematic market risk. High-beta stocks are more volatile and sensitive to macroeconomic and political events, while low-beta stocks are more defensive. Empirical studies show that high-beta stocks react more strongly during economic shocks or uncertainty, often amplifying market responses (Benou & Richie, 2003; Choudhry, 2005). This study tests whether abnormal returns differ across beta tertiles, suggesting a heterogeneous investor response conditioned by risk exposure.

H3: There is a significant difference in abnormal returns across beta tertiles, with high-beta stocks exhibiting stronger market reactions to the tariff announcement.

To test the proposed hypotheses, this study employs a combination of descriptive statistics and inferential statistical tests on calculated abnormal returns. To address Hypothesis 1, a one-sample t-test is conducted to determine whether abnormal returns on April 8 and April 30, 2025, differ significantly from zero, indicating market reaction to the tariff announcement. For Hypothesis 2, a paired-sample t-test compares abnormal returns between the start and end of the post-announcement window, assessing whether investor sentiment shifted over time. Lastly, Hypothesis 3 is tested using the ANOVA test to compare abnormal return distributions across the three beta tertiles. These methods collectively enable a robust evaluation of immediate and cross-sectional market reactions to the event.

3. RESULT AND DISCUSSION

3.1 Descriptive Analysis

Table 1. Descriptive Result of Beta and Abnormal Return

Variables	Min	Max	Mean	Std Dev
Beta	-4.70	2.90	0.1895	0.6644
AR1	-0.87	0.98	-0.0502	0.1644
AR2	-0.42	1.79	0.0829	0.1966

Source: Author's work

The descriptive statistics provide a preliminary overview of the distribution of key variables used in the analysis, including beta values and abnormal returns before and after the tariff announcement. The average beta across all 782 stocks was 0.1895, with a standard deviation of 0.6644, suggesting a predominance of low-risk stocks in the sample. The beta

values ranged from -4.70 to 2.90, indicating substantial variation in systematic risk exposure. The detail can be seen in Table 1. Regarding abnormal return, the average abnormal return on April 8 (AR1), the first trading day after the announcement, was 0.0502, with a standard deviation of 0.1644, indicating a modestly negative market response upon reopening. In contrast, the average abnormal return on April 30 (AR2) was 0.0829, with a higher dispersion (std dev = 0.1966), suggesting a rebound in investor sentiment or partial price recovery by the end of the month.

Table 2. Abnormal Return based on Beta Tiers

Variables	AR1		AR2	
Beta Tier	Mean	Std Dev	Mean	Std Dev
Tier 1	-0.09	0.18	0.15	0.20
Tier 2	-0.05	0.14	0.07	0.19
Tier 3	-0.01	0.16	0.03	0.18

Source: Author's work

When disaggregated by beta tiers, the pattern becomes more nuanced as presented in Table 2. Stocks in Tier 1 (low beta) exhibited the most pronounced reversal, with a negative mean abnormal return of -0.09 on April 8, followed by a strong positive return of 0.15 on April 30. Stocks in Tier 2 (moderate beta) moved from -0.05 to 0.07, while those in Tier 3 (high beta) showed a more minor swing, shifting from -0.01 to 0.03. This pattern suggests that lower-risk stocks experienced sharper initial pessimism and stronger post-event optimism, while high-beta stocks were relatively stable throughout the observation window. These preliminary findings support that the market reaction to the Trump tariff announcement was time-dependent and risk-sensitive, laying the foundation for further inferential analysis.

3.2 Normality Test of Data Distribution

Table 3. Kolmogorov-Smirnoff Test Result

Indicators	AR1	AR2	NAR1	NAR2
Kolmogorov-S Test	0.124	0.130	0.003	0.003
P-Value	< 0.001	< 0.001	0.200	0.200

Source: Author's work

Before conducting parametric statistical tests, a normality assessment was carried out using the Kolmogorov-Smirnov (K-S) test for both raw abnormal return variables (AR1 and AR2). The results show that the original abnormal returns, AR1 and AR2, significantly deviate from normality, with p-values less than 0.001. This violates the normality assumption required for parametric tests. Therefore, the Box-Cox transformation was applied, and the raw abnormal return was transformed into NAR1 and NAR2, achieving p-values of 0.200, indicating that the transformed data followed a normal distribution. This confirms the appropriateness of parametric methods such as the one-sample t-test, paired t-test, and ANOVA in subsequent analyses. The normality correction ensures that statistical inferences from the data are valid and reliable.

3.3 Hypothesis Testing

Table 4. One Sample T-Test Result

Variables	Std Error	t	p-value (2-tail)	Mean difference
NAR1	0.00584	-8.592	< 0.001	-0.0502
NAR2	0.00699	11.865	< 0.001	0.0829

Source: Author's work

To test the first hypothesis, a one-sample t-test was conducted on the normalised abnormal returns (NAR1 and NAR2) to examine whether the market experienced statistically significant deviations from expected monthly return on the two key dates: April 8 and April 30, 2025. The results reveal a significant negative abnormal return on April 8 (mean = –0.0502, t = –8.058, p < 0.001), suggesting that the market initially reacted pessimistically upon reopening after the tariff announcement. This aligns with prior evidence that markets may price in uncertainty or overreact to protectionist policy news.

By contrast, the test for April 30 shows a significant positive abnormal monthly return (mean = 0.0829, t = 11.323, p < 0.001), indicating a substantial recovery in investor sentiment or adjustment in market valuation for the month. Both tests reject the null hypothesis that abnormal returns are zero, supporting Hypothesis 1 and confirming that the Trump tariff announcement generated a statistically significant reaction in the Indonesian stock market.

Table 5. Paired T-Test Result

Paired Test	Mean D	Std Dev	Std Error	t	p-value (1-tail)
NAR2 – NAR1	0.1326	0.29931	0.01072	12.379	< 0.001

Source: Author's work

A paired-sample t-test was conducted comparing normalised abnormal returns on NAR1 and NAR2 to assess whether there was a statistically significant change in market response over time. The results indicate a substantial difference between the two periods, with a mean difference of 0.1331, t-value of 14.297, and p < 0.001. This finding confirms that abnormal returns increased significantly from the initial post-announcement market reopening to the end of April. The result supports Hypothesis 2, indicating a strong recovery in investor sentiment or adjustment of risk expectations as the implications of the tariff announcement became clearer. It also suggests that the market may have initially overreacted or responded cautiously, only to rebound in the weeks following, consistent with the delayed reaction hypothesis often observed in emerging markets.

Table 6. ANOVA Test Between Beta Tier

Variables	F	P-Value
NAR1	33.061	< 0.001
NAR2	50.594	< 0.001

Source: Author's work

To examine whether the abnormal return response to the tariff announcement differed across risk levels, a one-way ANOVA followed by Tukey's HSD post hoc test was conducted using the normalised abnormal monthly return variables (NAR1 and NAR2). The results (Table 6) confirm statistically significant differences in abnormal monthly return across all three beta tertiles for both NAR1 and NAR2 observations (p < 0.001 for all pairwise comparisons).

Table 7. Post Hoc Tukey Test

Dependent Variable	(I) Tier	(J) Tier	Mean Difference	Std. Error	Sig.	95% Confidence Interval	
						Lower Bd	Upper Bd
NAR2	1.00	2.00	0.09841*	0.01616	<0.001	0.0605	0.1364
		3.00	0.16051*	0.01608	<0.001	0.1227	0.1983
	2.00	1.00	-0.09841*	0.01616	<0.001	-0.1364	-0.0605
		3.00	0.06210*	0.01612	<0.001	0.0243	0.0999
	3.00	1.00	-0.16051*	0.01608	<0.001	-0.1983	-0.1227
		2.00	-0.06210*	0.01612	<0.001	-0.0999	-0.0243
NAR1	1.00	2.00	-0.05249*	0.01381	<0.001	-0.0849	-0.0201
		3.00	-0.11144*	0.01371	<0.001	-0.1436	-0.0792
	2.00	1.00	0.05249*	0.01381	<0.001	0.0201	0.0849
		3.00	-0.05895*	0.01375	<0.001	-0.0912	-0.0267
	3.00	1.00	0.11144*	0.01371	<0.001	0.0792	0.1436
		2.00	0.05895*	0.01375	<0.001	0.0267	0.0912

Source: Author's work

Table 7 presents the Post Hoc (Tukey) test. On NAR1, low-beta stocks (Tier 1) experienced significantly more negative abnormal monthly returns compared to both moderate-beta (Tier 2) and high-beta stocks (Tier 3), with mean differences of –0.05249 and –0.11144, respectively. High-beta stocks had the least negative abnormal monthly returns, indicating greater resilience or investor tolerance toward systematic risk during the initial shock.

NAR2 reverses this pattern. Low-beta stocks (Tier 1) generated significantly higher positive abnormal monthly returns than Tier 2 and Tier 3, with mean differences of 0.09841 and 0.16051, respectively. The consistent significance across all tier comparisons suggests that systematic risk levels meaningfully influenced investor behaviour, with low-beta stocks exhibiting a stronger rebound post-announcement. These results strongly support Hypothesis 3, indicating that stock response to the tariff announcement was not uniform, but varied significantly across levels of market sensitivity (beta).

3.4 Discussion

The results of this study provide strong evidence that the Indonesian stock market responded significantly to the tariff announcement made by Donald Trump on April 1st, 2025. The presence of abnormal monthly returns on April 8 and April 30, coupled with the significant difference between these two points, underscores the short-term volatility and recovery pattern triggered by international trade policy announcements. These findings align with the broader literature suggesting that capital markets react sharply to macroeconomic and geopolitical shocks, particularly when such events originate from major global economies (Bartholdy & Peare, 2003; Fama & French, 2004).

The initial negative abnormal return on April 8 supports the notion of investor uncertainty and pessimism immediately following the policy shock. This is consistent with studies by Amiti et al. (2019) and Shi et al. (2021), which document similar short-term market declines in response to U.S.–China trade tensions. However, the positive abnormal return observed on April 30 suggests that the market adjusted or reinterpreted the implications of the tariff announcement, potentially viewing it as less damaging or more sector-specific than initially feared. This supports behavioural finance perspectives, such as those proposed by Barberis et al. (1997), which argue that markets are prone to overreaction and delayed correction.

Recent research by Rao et al. (2025) reinforces this interpretation, showing that tariff announcements can induce immediate negative reactions and subsequent rebounds, especially when market participants recalibrate their expectations in light of global supply chain shifts.

Similarly, Bissoondoyal-Bheenick et al. (2022) emphasise the role of sentiment-driven spillovers, where investor mood and policy interpretation drive return connectedness across markets, effects observed in the recovery phase of the Indonesian market in this study.

The analysis of abnormal returns across beta tertiles revealed that systematic risk significantly moderates investor response. Low-beta stocks (Tier 1) initially experienced the most severe negative returns but also exhibited the strongest rebound, whereas high-beta stocks (Tier 3) showed more muted movement. This supports the hypothesis that less volatile assets are more susceptible to temporary overreaction and stronger reversals, a finding aligned with Benou & Richie (2003) and Choudhry (2005), who document beta-dependent volatility in emerging markets under economic stress. Gazilas (2025) also validates this cross-sectional behaviour. This shows that abnormal return intensity varies across risk exposure within affected sectors. The significant differences confirmed by Tukey's HSD test in this study further demonstrate that systematic risk is a key explanatory factor in understanding heterogeneous investor behaviour during policy-driven uncertainty.

The broader implication of this study is that emerging markets like Indonesia are not insulated from global economic policy decisions, even when not directly targeted. This paper provides additional empirical evidence that the Indonesian stock market is not a strong form. As highlighted in Bissoondoyal-Bheenick et al. (2022), tariff shocks originating from the U.S. can lead to significant spillover effects, particularly in markets with high external exposure. The positive return observed at the end of April may reflect investor repositioning and optimism about trade diversion opportunities, a phenomenon also supported by Rao et al. (2025) in their asymmetric market response framework. These findings contribute to a nuanced understanding of how short-term shocks evolve into medium-term realignments and stress the importance for investors and policymakers to monitor direct trade channels and the sentiment pathways that amplify or mitigate market reactions in non-targeted economies.

4. CONCLUSION

4.1 Conclusion

This study investigates the short-term market reaction of the Indonesian stock exchange to the U.S. tariff announcement by Donald Trump on April 1st, 2025. Employing an event study approach and using the Capital Asset Pricing Model (CAPM) to estimate expected returns, the research provides robust evidence that the announcement generated significant abnormal returns immediately after the market reopened and at the end of the month. These abnormal monthly returns reflect a clear pattern of initial market pessimism, followed by a notable recovery, indicating that investors reevaluated the announcement over time as its implications became clearer.

Furthermore, the analysis demonstrates that market reactions were not uniform across stocks. The systematic risk, measured by beta, moderated investor response. Low-beta stocks were more negatively affected immediately after the announcement but exhibited stronger positive reversals by the end of April. High-beta stocks, by contrast, remained relatively stable throughout the event window. This cross-sectional behaviour underscores the role of risk exposure in shaping investor decision-making during periods of policy uncertainty.

The findings have important implications. For investors, the results highlight the value of understanding systematic risk in navigating global policy shocks, particularly in emerging markets. For policymakers, the evidence suggests that even untargeted economies can experience financial spillovers from international trade actions, reinforcing the interconnectedness of global capital markets. Finally, for academics, this research contributes

to a growing literature on trade policy uncertainty, sentiment-driven market behaviour, and the heterogeneous effects of macroeconomic announcements.

Future research may expand this framework by incorporating firm-level fundamentals, sectoral analysis, or alternative models such as the Fama-French multifactor approach. Additionally, the behavioural component behind investor reactions, especially in emerging markets, warrants deeper exploration using sentiment indices or high-frequency data. Nonetheless, this study offers a timely and rigorous examination of how global trade tensions influence financial behaviour beyond immediate borders.

4.2 Limitation and Future Development

While this study provides valuable insights into how the Indonesian stock market responded to the April 2025 U.S. tariff announcement, several limitations must be acknowledged. First, the analysis relied on secondary data sources, including Yahoo Finance for stock returns and beta values, which may contain rounding or reporting discrepancies. Second, the study focuses solely on listed companies in the Indonesia Stock Exchange (IDX), excluding delisted or illiquid stocks that may also react to external shocks. Third, using the Capital Asset Pricing Model (CAPM) as the sole method for estimating expected return may not fully capture other risk factors relevant in emerging markets, such as size, value, or momentum effects. Although the CAPM offers simplicity and clarity, future research could employ multifactor models to enhance robustness.

The research examines only one event within a limited time frame, potentially overlooking longer-term reactions or the compounding effects of policy. Therefore, caution should be exercised when generalising the findings to other markets or events. Future studies could explore sectoral differences, integrate sentiment indices, or apply high-frequency data to capture intraday dynamics more precisely.

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