

Indonesian Stock Market Reaction to U.S. Liberation Day Tariff on Export Firms

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ABSTRACT

Purpose: This study examines the reaction of Indonesia's capital market to the U.S. Liberation Day Tariff announcement on April 2, 2025, focusing on export-exposed firms listed on the Indonesia Stock Exchange (IDX).

Methodology/approach: An event study is applied across 62 IDX-listed firms over a 21-trading-day window, analyzing abnormal returns and trading volume activity using the market-adjusted model and Wilcoxon signed rank test.

Results/findings: The tariff announcement produced a significant negative difference in abnormal returns, with investors perceiving the policy as bad news for export-oriented firms. The average abnormal return was partially significant, with an immediate event-day response and persistent negative reactions post-announcement. Trading volume activity showed no significant difference, reflecting the caution of investors.

Conclusions: Price movements support semi-strong market efficiency, while the absence of a volume response confirms that price and volume reactions do not always co-move under the same informational events.

Limitations: The Market Adjusted Model assumes homogeneous firm risk, sector-level comparative analysis was not conducted, and domestic macroeconomic variables were not controlled for.

Contribution: This study provides novel multisector evidence on how an emerging market responds to unilateral trade protectionism, contributing to the literature on event studies, signaling theory, and trade policy reactions.

Keywords: *Event Study, Abnormal Return, Trading Volume Activity, Liberation Day Tariffs, Indonesia Stock Exchange, Emerging Market, Signaling Theory, Market Efficiency*

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1. Introduction

The development of economic globalization has intensified the interdependence among nations in international trade, compelling countries to continuously expand their markets and improve their productive efficiency. However, this deepening integration has simultaneously rendered national economies more susceptible to protectionist interventions originating from major trading partners. Countries with substantial economic power have historically wielded import tariffs as dual instruments of economic management and geopolitical leverage. On April 2, 2025, the United States government, under President Donald Trump, announced the so-called “Liberation Day Tariffs,” constituting a watershed moment in contemporary economic geopolitics. The policy signaled an abrupt and aggressive return to extreme protectionism, announced without prior bilateral negotiations, thereby generating substantial uncertainty across global financial markets. This announcement led to a 6–7% decline in global equity indices, indicating a strongly negative investor reaction ([Kaczmarek, Demir, Rouatbi, & Zaremba, 2025](#)).

Indonesia was among the most directly affected economies, subjected to a tariff rate of 32%, which is considerably higher than the prevailing global average tariff rate. This is particularly consequential given that the United States represents one of Indonesia’s foremost trading partners, with bilateral export flows reaching USD 28.18 billion in 2024. According to [Gandolfo \(2013\)](#), the imposition of tariffs increases the cost of goods entering the destination country, thereby reducing the competitiveness of the products of exporting nations. The magnitude of Indonesian exports to the U.S. market indicates that any policy disruption in the United States will produce a domino effect on Indonesia’s macroeconomic stability, particularly in the trade balance. [Rao, Lucey, and Kumar \(2025\)](#) confirm this dynamic, finding that countries maintaining trade surpluses with the United States tend to exhibit stronger equity market responses to U.S. tariff announcements.

This episode’s significance for capital market research is twofold. First, the magnitude and suddenness of the tariff imposition constitute an exogenous shock of considerable informational relevance, offering a rare natural experiment for examining how equity markets process unexpected macroeconomic policy announcements. Second, Indonesia’s status as an emerging market economy renders its capital market particularly sensitive to sentiment shifts emanating from developed-economy policy environments ([Rafik, 2025](#); [Setiawan, Wardhani, & Yanto, 2025](#)). The relatively high tariff rate applied to Indonesia may reduce the competitiveness of Indonesian products in the U.S. market, suppressing export volumes and foreign exchange earnings. Companies dependent on U.S. export markets are also at risk of experiencing declines in sales and profitability ([Baker, Bloom, Davis, & Kost, 2026](#)). Beyond the real sector, tariff policy impacts extend to the capital market, which often reacts more rapidly than the real sector owing to its forward-looking orientation, rendering it particularly relevant for observing responses to new information ([O. Rizki, Dalimunthe, Muda, Soemitra, & Yusrizal, 2025](#)).

Investors’ reactions can be measured through abnormal returns, as a representation of changes in stock prices, and Trading Volume Activity (TVA), as an indicator of transaction activity levels. Global economic events such as tariff policy announcements frequently trigger changes in both variables ([Fachri, Utomo, Putra, & Suhartono, 2025](#)). Additionally, measuring the extent to which Indonesia’s domestic capital market can absorb this type of information is critically important for regulators and market participants to understand the resilience of the IDX against external shocks. Capital outflow pressures triggered by negative policy signals from dominant economies can amplify domestic equity market reactions, particularly when foreign investor participation is substantial ([Rafik, 2025](#)).

Theoretically, market reactions can be explained by the efficient market hypothesis (EMH) and signaling theory. The EMH posits that stock prices reflect all available information, such that investors will promptly respond to unexpected information. Signaling Theory explains that publicly disclosed information serves as a signal for investors to assess company prospects. In this context, tariff policies can be regarded as negative signals with the potential to diminish corporate performance. Based on this background, this study examines whether there are significant differences in abnormal returns and trading volume activity before and after the Liberation Day Tariff announcement, focusing on IDX-

listed firms with direct export exposure to the United States across five sectors: Consumer Cyclicals, Consumer Non-Cyclicals, Industrials, Basic Materials, and Technology.

2. Literature Review and Hypothesis/es Development

2.1 Efficient Market Hypothesis

A capital market is considered efficient when the prices of its securities adjust rapidly and accurately to every new piece of information. Market efficiency occurs when stock prices reach equilibrium within a short period after an information announcement. [Balp and Strampelli \(2018\)](#) emphasize that market efficiency depends on the rapid and equitable dissemination of information among all market participants. The three forms of efficiency are the weak form, in which prices reflect all historical price data; the semi-strong form, in which prices incorporate all publicly available information; and the strong form, in which prices reflect all information, including private disclosures. This study operates within the semi-strong efficiency framework and examines whether publicly announced tariff information is promptly reflected in IDX equity prices.

Market efficiency often yields inconsistent results, attributable to model dependency, variations in expected return measurement, and inherent market imperfections. This caveat is particularly relevant for emerging markets such as Indonesia, which may exhibit structural features that are inconsistent with full informational efficiency. According to [Larasati and Kelen \(2021\)](#), abnormal returns arise when there is new, surprising information that investors have not previously encountered, and [Sunardi, Noviolla, Supramono, and Hermanto \(2023\)](#) confirm that the directional sign of such returns depends on whether the market collectively perceives the information as favorable or adverse. In an efficient market, no investor can consistently earn above-average returns merely by exploiting information that is already available, as efficiency demands openness and equal distribution of information among all market participants.

2.2 Signaling Theory

Signaling theory refers to how parties with better information, such as corporate management, communicate signals to external parties, including investors, in order to reduce information asymmetry and influence decision-making ([Yudha, Rafie, Muda, & Kesuma, 2024](#)). [Morris \(1987\)](#) established that disclosures whether from corporate management or from external policy environments function as signals that enable external parties to revise their assessments of firm value. Effective signals are difficult to replicate by low-performing firms, meaning that only high-quality firms or significant events consistently generate market responses. Publicly announced information constitutes a signal that can produce directional stock price movements. Positive signals elevate prices, whereas negative signals depress them, thereby reducing information asymmetry between insiders and the market.

[Puspitaningtyas \(2019\)](#) provides empirical support for signaling theory in the Indonesian context, finding [Puspitaningtyas \(2019\)](#) significant abnormal returns on the IDX following dividend announcements, confirming that domestic investors respond strongly to corporate information signals. In the present context, the announcement of a 32% tariff targeting Indonesian exports functions as a negative economic signal, as it directly threatens the revenue and profitability of export-oriented listed companies, motivating rational investors to revise their positions accordingly. This mechanism is consistent with the findings of [Baker et al. \(2026\)](#), who confirm that high trade policy uncertainty regarding tariffs triggers adverse stock price reactions, specifically for firms with substantial export exposure.

2.3 Event Study Methodology

The event study methodology, first introduced by [Dolley \(1933\)](#) in his examination of stock price reactions to stock split announcements, was subsequently formalized by [Ball and Brown \(2013\)](#) and [Fama, Fisher, Jensen, and Roll \(1969\)](#) and has become the dominant empirical framework for assessing capital market reactions to discrete informational events. The method estimates abnormal returns, namely the departure of actual returns from model-predicted expected returns, over a defined event window bracketing a focal event date. Foundational assumptions, namely market efficiency, event unanticipated Ness, and the absence of confounding effects ([Bhimasta, Surya, & Pramudita, 2025](#)).

These assumptions broadly apply to the Liberation Day Tariff announcement, given its sudden and unilateral character.

The methods for calculating the expected return are classified into three models: the mean-adjusted model, which uses the average historical return over an estimation period; the market-adjusted model, which treats market return as the best predictor; and the market model (OLS regression), which estimates return sensitivity through linear regression of individual stock return against market return. Each model offers a trade-off between simplicity and statistical rigor. [Rosman and Yudanto \(2022\)](#) provide a comprehensive survey of event study applications in Indonesian capital market research, spanning dividend announcements, mergers, IPOs, government regulation changes, and political events, and confirm that unexpected events with material economic consequences consistently generate significant abnormal returns.

2.4 Abnormal Return

Abnormal returns are one of the primary indicators used in financial research to assess market reactions to informational events. According to [Manap, Ginting, Lubis, Idris, and Mustangin \(2023\)](#), abnormal return is the excess of the actual return over the normal return, where the normal return refers to the expected return earned by investors. Thus, abnormal returns represent the difference between the actual and expected returns. Abnormal returns are unexpected returns that emerge as a result of new information or specific events affecting company value. Positive events tend to generate positive abnormal returns, whereas events perceived negatively generate negative abnormal returns. Abnormal return is a central element within the event study framework and is widely used to test semi-strong form markets ([Damanik, Prasetyo, Alie, & Oktaria, 2025](#)).

Several previous studies conducted in Indonesia have found significant abnormal returns following major informational events. [Christopher \(2019\)](#) found statistically significant abnormal returns on the IDX surrounding Donald Trump's 2016 U.S. presidential election victory, establishing that U.S. political events carry informational relevance for Indonesian investors. [A. K. Rizki and Utami \(2023\)](#) demonstrated that economic sentiment can influence abnormal returns, while [Fachri et al. \(2025\)](#) confirmed that global economic events reliably trigger changes in IDX abnormal returns. [O. Rizki et al. \(2025\)](#) specifically analyzed the market shock potential of unexpected policy announcements in Indonesia, concluding that the novelty and severity of information are key determinants of the magnitude of abnormal return.

2.5 Trading Volume Activity

Trading Volume Activity (TVA) is a complementary indicator in capital market analysis that reflects the level of trading activity for a stock relative to its total shares outstanding. [Pribadi and Abilawa \(2022\)](#) define TVA as the ratio of shares traded within a given period to the total number of shares outstanding from the issuer, which describes the degree of investor participation. A higher TVA indicates greater liquidity because the stock is traded more actively by investors. Conversely, a low TVA reflects reduced investor interest and elevated liquidity risk [Utami, Hermuningsih, and Cahya \(2022\)](#).

[Mukhti, Efni, and Haryetti \(2024\)](#) confirm that TVA is a reliable indicator of market reactions to economically significant information. [Sunardi et al. \(2023\)](#) establish that increased trading activity represents a tangible behavioral manifestation of investor information processing. According to [Sari, Ismail, and Geraldina \(2023\)](#), rising stock prices accompanied by increasing Trading Volume Activity (TVA) validate bullish trends, consistent with technical analysis frameworks that treat trading volume as confirmation of price direction. Critically, [Pribadi and Abilawa \(2022\)](#) found that changes in TVA are not invariably accompanied by significantly abnormal returns, implying that price- and volume-based dimensions of market reaction may respond differentially to the same stimulus. This finding underscores the value of examining both indicators jointly, as was done in the present study.

2.6 Hypothesis Development

2.6.1 Abnormal Return Before and After the 2025 Trump Tariff Announcement

Based on signaling theory, the announcement of the 2025 U.S. import tariffs constitutes a negative economic signal that is expected to alter investors' perceptions of the prospects and risks of export-oriented firms. Such a policy can disrupt international supply chains, elevate production costs, and dampen expectations regarding corporate earnings, particularly for firms with high trade exposure to the United States ([Kaczmarek et al., 2025](#)). Prior evidence supports this mechanism, such as [Soraya \(2023\)](#) found significant differences in abnormal return across IDX sectors following the Russia-Ukraine war announcement, while [A. K. Rizki and Utami \(2023\)](#) observed abnormal return responses following economically significant policy announcements in the Indonesian capital market. Accordingly, if the tariff announcement carries informational content that investors respond to, a significant difference in abnormal returns should be observable before and after the event date. The following hypotheses are proposed.

H_{1a} : Abnormal returns differ before and after the announcement of the 2025 Trump tariff on the Indonesia Stock Exchange

H_{1b} : There is a significant average abnormal return around the announcement date of the 2025 Trump tariff on the Indonesia Stock Exchange

2.6.2 Trading Volume Activity Before and After the 2025 Trump Tariff Announcement

Trading volume activity (TVA) reflects the intensity of investor responses to new market information and serves as a complementary indicator of abnormal returns in event study research. A substantial change in TVA around the announcement date indicates that investors are actively revising their positions in response to the event's informational content. [Frikasih, Mangantar, and Rumokoy \(2023\)](#) documented significant changes in trading volume following the U.S. Federal Reserve interest rate announcement, and [Soraya \(2023\)](#) reported elevated trading volume volatility on the IDX following the announcement of the Russia-Ukraine war. Given that the 2025 Trump tariff directly affects Indonesia's export sector and introduces significant trade uncertainty, a meaningful change in TVA is expected around the announcement date to be observed. The following hypothesis is proposed:

H_2 : Trading volume activity before and after the announcement of the 2025 Trump tariff on the Indonesia Stock Exchange differs

3. Methodology

3.1 Research Design and Event Outline

This quantitative study employs an event study methodology to evaluate the semi-strong form of the Efficient Market Hypothesis (EMH) by measuring the informational content of a specific macroeconomic event. The event under investigation is the official announcement of the "Liberation Day Tariffs" by United States President Donald Trump on April 2, 2025. According to standard event study procedures, if an event occurs on a non-trading day or market holiday, the first subsequent trading day is designated as the event day (t_0). Given that the Indonesia Stock Exchange (IDX) was officially closed for the Easter national holiday and the Eid al-Fitr 1446 H collective leave from March 28 to April 7, 2025, the capital market could only process and react to the news after reopening. Consequently, April 8, 2025, was established as the event date (t_0). To capture the market response comprehensively while mitigating the risk of confounding effects, this study establishes a 21-day symmetrical event window, designated as a 10-1-10 framework ($t-10$ to $t+10$). The pre-event period spanning from $t-10$ to $t-1$ was used to detect potential information leakage or speculative trading activities. Conversely, the post-event window from $t+1$ to $t+10$ is designed to observe any delayed responses or structural adjustments by the investors.

3.2 Population and Sample Selection

The research population comprises 517 public companies listed across five specific IDX Industrial Classification (IDX-IC) sectors with direct export exposure to the United States: Consumer Cyclical, Consumer Non-Cyclical, Industrial, Basic Materials, and Technology. Using non-probability purposive sampling, the final sample was selected based on criteria requiring active listing in 2025, documented direct export operations to the US in 2024, complete historical trading data, and the absence of confounding material corporate actions or trading suspensions during the event window period.

Applying these filters excluded 435 companies without US exports, one company executing corporate actions, and 19 companies under trading suspensions, resulting in a final adjusted sample of 62 companies.

3.3 Data Sources

This study uses secondary data consisting of historical daily financial metrics for the selected sample firms. The specific data components included daily stock closing prices, the Jakarta Composite Index (IHSG) as the market benchmark, daily trading volumes, and the total number of shares outstanding. These data were retrieved from the official website of the Indonesia Stock Exchange (www.idx.co.id) and Yahoo Finance (www.finance.yahoo.com).

3.4 Measurement of Variables

3.4.1 Abnormal Return

Abnormal returns, or excess returns, represent the difference between the actual realized return earned by an investor and the expected return under normal market conditions. In this study, a market-adjusted model is used to calculate the daily abnormal return for security *i* on day *t*:

$$AR_{i,t} = R_{i,t} - E[R_{i,t}] \quad (1)$$

Where:

$AR_{i,t}$ = Abnormal return of security *i* on event day *t*

$R_{i,t}$ = Actual realized return of security *i* on event day *t*

$E[R_{i,t}]$ = Expected return of security *i* on event day *t*

To operationalize the formula, the components are calculated using the following steps:

- a. Expected Return Estimation: The expected return $E[R_{i,t}]$ is proxied by the daily market return ($R_{m,t}$), derived from the changes in the Jakarta Composite Index (IHSG) as a representation of aggregate market movements ([Sunardi et al., 2023](#)):

$$R_{m,t} = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}} \quad (2)$$

Where:

$R_{m,t}$ = Market return on event day *t*

$IHSG_t$ = Jakarta Composite Index (IHSG) value on event day *t*

$IHSG_{t-1}$ = Jakarta Composite Index (IHSG) value on the preceding trading day (*t*-1)

- b. Realized Return Calculation: The realized return ($R_{i,t}$) represents the actual return manifested from the daily stock price fluctuations ([Sunardi et al., 2023](#)):

$$R_{i,t} = \frac{P_{i,t} - P_{i,t-1}}{P_{i,t-1}} \quad (3)$$

Where:

$R_{i,t}$ = Actual realized return of stock *i* on event day *t*

$P_{i,t}$ = Daily closing price of stock *i* on event day *t*

$P_{i,t-1}$ = Daily closing price of stock *i* on the preceding trading day (*t*-1)

- c. Average Abnormal Return (AAR) To assess the collective cross-sectional impact of the announcement across all sampled firms on a specific day *t*, the Average Abnormal Return (AAR_t) is computed ([Kaczmarek et al., 2025](#)):

$$AAR_t = \frac{\sum_{i=1}^N AR_{i,t}}{N} \quad (4)$$

Where:

- AAR_t = Average abnormal return of all sample firms on event day t
- $AR_{i,t}$ = Abnormal return of stock i on event day t
- N = Total number of sample companies observed in the study

3.4.2 Trading Volume Activity (TVA)

Trading Volume Activity (TVA) is a market gauge used to evaluate investor transaction intensity and stock liquidity surrounding an economic or non-economic event ([Apriyanto, Mulyantini, & Nurmatias, 2021](#)).

$$TVA_{i,t} = \frac{\text{Volume of Traded Shares}_{i,t}}{\text{Total Shares Outstanding}_{i,t}} \quad (5)$$

Where:

- $TVA_{i,t}$ = Trading Volume Activity of stock i on event day t

3.5 Methods of Data Analysis

Statistical computational analysis was performed using the SPSS software. The sequential analytical framework is structured as follows.

1. Descriptive Statistics: This step summarizes the fundamental distributional attributes of the dataset, providing the mean, median, maximum, minimum, and standard deviation for both AR and TVA metrics.
2. Normality Testing: To determine the appropriate statistical testing, a One-Sample Kolmogorov-Smirnov test was conducted at a significance threshold of $\alpha = 0.05$.
3. Hypothesis Testing:
 - a. If the data exhibit a normal distribution ($\text{sig.} > 0.05$), a parametric Paired Sample t-test was deployed to examine the differential impacts of AR and TVA between the pre- and post-announcement periods. Concurrently, a One-Sample t-test is employed to evaluate whether the AAR statistically deviates from zero.
 - b. If the normality assumption is violated ($\text{sig.} \leq 0.05$), non-parametric alternatives were implemented. The Wilcoxon Signed-Rank Test was used to assess shifting patterns in variables across the pre- and post-event windows, while the One-Sample Wilcoxon Test was applied to test the significance of the median AAR against a null value of zero.

4. Results and discussion

4.1 Descriptive Statistical Analysis

Table 1. Relationship between reliability and customer satisfaction

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Dev
ARBefore	62	-0.0227	0.0603	0.0014	0.0100
ARAfter	62	-0.0682	0.015	-0.0046	0.0112
TVABefore	62	0.0000	0.0208	0.0011	0.0029
TVAAfter	62	0.0000	0.0147	0.0011	0.0026
Valid N (listwise)	62				

Table 1 shows descriptive statistics consist of several measures, including the mean, median, maximum value, minimum value, and standard deviation, which are used to summarize and describe the characteristics of the data [Martias \(2021\)](#). They are employed in this study to characterize the distributional properties of two primary variables: abnormal return and trading volume activity.

1. The Abnormal Return (AR) variable reveals a contrasting shift in market sentiment around the events. The mean AR declined from +0.001429 before the announcement to -0.004655 after, reflecting a negative response from the market. This is reinforced by a drop in the minimum value from -0.0227 to -0.0682 and the maximum from 0.0603 to 0.015. The standard deviation increased slightly from 0.0100 to 0.0112, indicating greater cross-firm dispersion in returns post-announcement and reflecting heightened investor uncertainty regarding the tariff policy's impact.
2. Trading Volume Activity (TVA) and market reaction were comparatively subdued. The mean TVA declined marginally from 0.001195 to 0.001168, while the maximum value fell from 0.0208 to 0.0147, suggesting a reduced transaction intensity among the most actively traded stocks. The standard deviation also decreased from 0.0029 to 0.0026, indicating that trading activity became more homogeneous across firms at a lower level after the announcement.

4.2 Normality Test

The normality test was conducted using the One-Sample Kolmogorov-Smirnov test to determine whether the sample data were normally distributed. If the significance value exceeds 0.05, parametric analysis is applied, whereas a value below 0.05 indicates a non-normal distribution, and non-parametric analysis is used instead ([Rosman & Yudanto, 2022](#)).

Table 2. One-Sample Kolmogorov-Smirnov test abnormal return

		ARBefore	ARAAfter
N		62	62
Normal Parameters	Mean	0.0014	-0.0046
	Std. Deviation	0.0100	0.0112
Most Extreme Differences	Absolute	0.195	0.135
	Positive	0.195	0.101
	Negative	-0.128	-0.135
Test Statistic		0.195	0.135
Asymp. Sig. (2-tailed)		0.000	0.007

Table 2 shows the One-Sample Kolmogorov-Smirnov test yielded significance values of 0.000 and 0.007 for abnormal returns before and after the event, respectively, both falling below the 0.05 threshold. The data were deemed non-normally distributed, and the Wilcoxon signed-rank test was applied for hypothesis testing.

Table 3. One-Sample Kolmogorov-Smirnov test trading volume activity

		TVABefore	TVAAfter
N		62	62
Normal Parameters	Mean	0.0011	0.0011
	Std. Deviation	0.0029	0.0026
Most Extreme Differences	Absolute	0.342	0.333
	Positive	0.297	0.330
	Negative	-0.342	-0.333
Test Statistic		0.342	0.333
Asymp. Sig. (2-tailed)		0.000	0.000

Table 3 shows The One-Sample Kolmogorov-Smirnov test yielded a significance value of 0.000 for trading volume activity both before and after the event, falling below the 0.05 threshold. The data were deemed non-normally distributed, and the Wilcoxon signed-rank test was applied for hypothesis testing.

4.3 Hypothesis Test

Hypothesis testing is conducted to examine differences in abnormal returns and trading volume activity around the 2025 Trump tariff announcement. Given that the data were non-normally distributed, the Wilcoxon signed-rank test was applied, with a significance value below 0.05 serving as the criterion for accepting the alternative hypothesis. Additionally, the one-sample Wilcoxon signed-rank test is employed to assess whether the Average Abnormal Return (AAR) on each day within the observation period differs significantly from zero, thereby mapping the daily dynamics of market reaction and identifying when the market began absorbing information related to the tariff announcement.

Table 4. Wilcoxon Signed Rank test abnormal return

Ranks				
		N	Mean Rank	Sum of Ranks
ARAfter - ARBefore	Negative Ranks ^a	45a	32.94	1482.5
	Positive Ranks ^b	17b	27.68	470.5
	Ties ^c	0c		
	Total	62		

a. ARAfter < ARBefore

b. ARAfter > ARBefore

c. ARAfter = ARBefore

Table 5. Wilcoxon Signed Rank test statistics abnormal return

Test Statistics ^a	
	ARAfter - ARBefore
Z	-3.548
Asymp. Sig. (2-tailed)	.000

Based on Table 4, the Wilcoxon signed-rank test results, 45 companies recorded negative ranks (AR post-announcement < AR pre-announcement) against only 17 positive ranks, with no ties, indicating a widespread negative market reaction. Table 5 shows the test yielded a Z-value of -3.548 with a significance level of 0.000 ($p < 0.05$), leading to the acceptance of H1a. These results confirm a significant difference in abnormal returns before and after the 2025 Trump tariff announcement.

Table 6. Wilcoxon Signed Rank test trading volume activity

Ranks				
		N	Mean Rank	Sum of Ranks
TVAAfter - TVABefore	Negative Ranks ^a	21a	21	441
	Positive Ranks ^b	20b	21	420
	Ties ^c	21c		
	Total	62		

a. TVAAfter < TVABefore

b. TVAAfter > TVABefore

c. TVAAfter = TVABefore

Table 7. Wilcoxon Signed Rank test statistics trading volume activity

Test Statistics ^a	
	TVAAfter - TVABefore
Z	-.137 ^b

Asymp. Sig. (2-tailed)	.891
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Based on Table 6, the Wilcoxon signed-rank test results, the distribution of TVA reactions was relatively balanced, with 21 companies recording negative ranks, 20 positive ranks, and 21 ties, indicating no widespread or synchronized trading response to the tariff announcement. Table 7 shows the test yielded a Z-value of -0.137 with a significance level of 0.891 ($p > 0.05$), leading to the rejection of H_2 . These results indicate no significant difference in trading volume activity before and after the 2025 tariff announcement.

Table 8. One Sample Wilcoxon test results around the announcement date

Observation Period	AAR	Sig. (2-tailed)	Remark	
Before	t-10	0.0180	0.000	Significant
	t-9	0.0117	0.002	Significant
	t-8	0.0243	0.000	Significant
	t-7	-0.0072	0.000	Significant
	t-6	-0.0167	0.000	Significant
	t-5	0.0074	0.003	Significant
	t-4	0.0079	0.194	Not Significant
	t-3	-0.0099	0.001	Significant
	t-2	-0.0185	0.000	Significant
	t-1	-0.0029	0.267	Not Significant
Event Day	t=0	0.0205	0.000	Significant
After	t+1	-0.0058	0.544	Not Significant
	t+2	-0.0163	0.000	Significant
	t+3	0.0009	0.658	Not Significant
	t+4	-0.0004	0.771	Not Significant
	t+5	-0.0078	0.001	Significant
	t+6	0.0050	0.035	Significant
	t+7	-0.0060	0.022	Significant
	t+8	-0.0016	0.402	Not Significant
	t+9	-0.0080	0.007	Significant
	t+10	-0.0067	0.005	Significant

Table 8 shows the AAR movement reveals dynamic fluctuations around the event dates. Prior to the announcement, the AAR was predominantly positive from t-10 to t-8 before turning negative from t-7 to t-1, except for t-5 and t-4. On the event day (t=0), AAR surged to +0.0205 ($p= 0.000$), followed by a persistent negative trend from t+1 to t+10, except at t+3 and t+6. AAR was also observed post-announcement at t+2, t+5, t+6, t+7, t+9, and t+10. Based on these daily test results, H_{1b} was partially accepted.

5. Conclusions

5.1 Conclusion

This study examines the reaction of the Indonesian capital market to the U.S. "Liberation Day Tariffs" announcement on April 2, 2025. Using an event study method, the analysis focused on 62 export-exposed firms listed on the Indonesia Stock Exchange over a 21-trading-day observation window. Regarding abnormal returns, the tariff announcement produced a significant difference before and after the event, indicating that the market perceived the policy as bad news for export sector stocks. This negative sentiment led to a decline in abnormal returns, reflecting the underperformance of the sample firms relative to the broader market indices. Turning to the Average Abnormal Return (AAR) around the announcement date, the results are partially significant.

An immediate market response was evident on the event day, while the presence of significant abnormal returns in the pre-event period suggests that information leakage or market anticipation had already

occurred prior to the official announcement. Furthermore, the persistent negative average abnormal returns in the post-event period are consistent with signaling theory, confirming that investors continuously interpret the tariff policy as an adverse signal for export-oriented firms. No significant difference was found in trading volume activity before and after the announcement. Although sharp price movements were observed, the trading volume remained stable throughout the event window. This indicates that investors adopted a wait-and-see attitude, while trading halt mechanisms further constrained transaction activity during this period.

5.2 Research Limitations

This study has several limitations. The market-adjusted model assumes homogeneous risk across all stocks, disregarding firm-specific beta values, which may reduce the precision of abnormal return estimates. Furthermore, the analysis is aggregate in nature and does not conduct sector-level comparative tests, leaving differences in sensitivity across industries, such as technology and industry, unexamined. The study also does not control for concurrent domestic macroeconomic variables, including exchange rate fluctuations, Bank Indonesia interest rate announcements, and inflation, which may have independently influenced observed market reactions.

5.3 Suggestion and Directions for Future Research

Future research should adopt the market model to estimate expected returns, as it incorporates firm-specific beta values and therefore yields more precise abnormal return calculations that better reflect individual company reactions to the tariff policy. Furthermore, subsequent studies may consider conducting a cross-sector comparative analysis, such as contrasting the Technology and Industrial sectors, to identify which industries are most vulnerable or resilient to international trade policy shocks, thereby providing more actionable insights for portfolio diversification. The inclusion of macroeconomic control variables, such as the Rupiah-to-US Dollar exchange rate, Bank Indonesia's benchmark interest rate, and inflation, is also recommended to isolate the effect of global tariff policy from the influence of domestic monetary conditions on stock price movements.

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