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External Shock and Industry Resilience: The Contagion Effect of Trump Retaliation Tariff in the Indonesian Stock Exchange

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ABSTRACT

This study examines the sectoral sensitivity of Indonesia's equity market to tariff shocks during the Trump administration's protectionist trade agenda. Utilizing an event study centered on the reciprocal tariff announcement on April 8, 2025, we analyze the cumulative abnormal returns (CAR) of eleven sectoral indices on the Indonesia Stock Exchange (IDX) using daily data and a mean-adjusted model. We assess immediate impact, short-term recovery, and cross-sectoral variation using one-sample t-tests. As a result of increased exposure to global value chains and investor uncertainty, the Technology sector saw the most significant decline on the event date (CAR = -11.79%), followed by Basic Materials and Consumer Cyclicals. Technology stayed in negative territory until day 18 (t+17), while most sectors recovered within two to five trading days. On the other hand, the Basic Materials, Energy, infrastructure, transport, non-cyclical, and cyclical sectors bounced back quickly, reaching positive CAR in two days, probably helped by expectations of commodity resilience and supply chain substitution. These findings suggest that US tariff shocks transmit to emerging markets like Indonesia through trade-expectation channels, disproportionately affecting sectors reliant on imported inputs and external demand.

Keywords: reciprocal tariff, retaliation tariff, contagion effect, event study, industry resilience, sectoral sensitivity

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INTRODUCTION

The trade war between the United States and China that culminated during President Donald Trump's presidency can be said to be one of the significant events that changed the direction of global trade policy. Since 2018, the US government has begun implementing tariff policies to protect domestic industries and reduce trade deficits that are considered detrimental, especially in trade relations with China (Amiti, Redding and Weinstein, 2019; Fajgelbaum *et al.*, 2019). This policy continued following Donald Trump's second term through the reciprocal tariff policy announced in April 2025, which applied to China, as well as 57 other countries in the world. This American move triggered various responses from various countries, including a retaliatory tariff response from China, which also raised tariffs on various American products. This dispute then escalated into a trade war believed to impact the economy in different parts of the world, including developing countries such as Indonesia (Alessandria *et al.*, 2025).

Several previous studies have shown that the impact of tariffs imposed by the United States is ultimately borne more by domestic consumers and importers in America (Amiti, Redding and Weinstein, 2019; Fajgelbaum *et al*., 2019). This could also be the case for other countries affected by this tariff policy. However, the effects are not uniform across sectors. Some industries, particularly those dependent on global supply chains such as technology and raw materials, have been noted to experience deeper stock market pressure (Kaczmarek *et al*., 2025; Wengerek, Uhde and Hippert, 2025).

Stock market movements during the period rapidly responded to each new tariff announcement. Both policies announced by the United States and those issued by its trading partners were able to generate significant stock market reactions within a short period (Shafique and Bhutta, 2024; Tao *et al*., 2024; Wengerek, Uhde and Hippert, 2025). A more in-depth analysis shows that sectors with strong links to international trade tend to be more vulnerable to these tariff-induced shocks (Kaczmarek *et al*., 2025).

Indonesia, which is also one of the countries that Donald Trump has imposed retaliatory tariffs on in 2025, is not immune to the impact. Laksmana (2024) revealed that global trade patterns also affected Indonesia's export performance, rupiah exchange rate stability, and foreign investment flows. Indonesia's dependence on commodity exports and involvement in international supply chains make some domestic sectors more sensitive to changes in trade policies of major countries, especially if tariff increase policies are also applied to export products from Indonesia.

On the other hand, market reactions are not entirely driven by fundamentals alone. Psychological factors, such as investor sentiment and geopolitical risk perception, also play an essential role in determining the direction of stock price movements. In uncertain situations such as trade wars, investors' reactions are often influenced by perceptions and narratives shaped by the media (Zhang and Du, 2023; Maurya, Bansal and Mishra, 2025). Zhang and Du (2023) emphasizes how media reports convey trade issues can influence how markets respond to emerging policies.

While several studies have examined inter-market linkages and patterns of shock propagation during trade wars (You *et al*., 2024), study that explicitly highlights sector sensitivity in developing countries such as Indonesia is still relatively limited, especially when viewed from daily stock data with high frequency. This research is conducted to fill this gap by examining how sectoral stock indices in Indonesia react to the announcement of retaliatory tariffs from the United States in 2025.

This study aims to identify the most affected sectors and those that can recover quickly after the shock of Donald Trump's retaliatory tariff policy. It is expected that the results of this study will not only contribute to the enrichment of the literature on financial risk and sector resilience but also serve as a valuable reference for policymakers and market participants in dealing with potential future global trade disruptions.

LITERATURE REVIEW

The trade war between the United States and China is one of the crucial moments in modern global trade history. The implementation of tariffs by the United States in 2018 has marked a significant shift in the direction of international trade policy. Studies by Amiti, Redding and Weinstein (2019) and Fajgelbaum *et al.* (2019) have consistently shown that unilaterally imposed tariffs by the US increase the price of imported goods and significantly depress the volume of world trade. In the context of recent developments, in April 2025, President Donald Trump again announced a global tariff policy of 10% for almost all countries, as well as additional reciprocal tariffs of 11% to 50% imposed on 57 major trading partner countries. This policy, known as Liberation Day Tariffs, is a significant escalation of a more aggressive protectionist approach than in previous periods. This move triggered diplomatic tensions and reignited fears of a more complex and global trade war.

In the financial market, Wengerek, Uhde and Hippert (2025) show that tariff announcements from the United States and retaliation from China and other trading partners always trigger significant volatility in the stock market. The stock price movement manifested by abnormal returns strongly indicates that the market is susceptible to trade policy issues. However, this response is not homogeneous across sectors. Sectors actively involved in international trade, such as technology, raw materials, and manufacturing, generally experience deeper price pressure than more domestically oriented sectors (Kaczmarek *et al.*, 2025). It will likely be the same pattern for countries affected by Donald Trump's additional reciprocal tariffs.

The connectedness of the global market is further clarified by the findings of You *et al.* (2024), which identified that trade wars strengthen connectivity between stock markets in different countries. Shocks initially considered bilateral issues can spread through complex trade and financial channels. Even countries not directly involved in trade conflicts can still be affected, either through investor expectations or changes in the direction of global trade. It has been proven through various studies that fundamental factors do not entirely drive market dynamics. Maurya, Bansal and Mishra (2025), for example, found that psychological factors such as investor sentiment, risk perception, and public narrative play an essential role in accelerating market responses to issues of uncertainty, including trade wars. Under these conditions, investors' decisions are not always rational but are often influenced by how information is presented and packaged by the media.

Zhang and Du (2023) deepen this study by asserting that news framing and tone constructed by the media significantly affect market behavior. Media that present news with negative sentiments tend to increase the effect of selling pressure, while news delivered with an optimistic side can reduce the negative impact of existing policies. This shows that market perception is influenced not only by the policy's substance but also by how the policy is perceived and accepted by the public.

In the Indonesian context, (Laksmana, 2024)shows that although Indonesia is not a country directly involved in the trade war, the impact is still felt. As a country with a high degree of trade openness and dependence on commodity exports, Indonesia is also affected by changes in global trade patterns triggered by trade wars. Exchange rate stability, export performance, and foreign investment flows are the aspects that are affected. Purwono *et al.* (2022) complemented these findings by highlighting the spillover effects of the trade war on Indonesian exports, particularly on value-added products that have been part of regional supply chains. They emphasize that global trade uncertainty increases investment risk and lowers the competitiveness of Indonesian products in international markets. Disruptions to global supply chains also lead to decreased efficiency and potential delivery delays, which in turn reduce Indonesia's competitiveness at the regional level.

Regarding corporate management, Handley, Kamal and Monarch (2024) found that many affected companies immediately adjusted their supply chain strategies. They found that many tariff-affected firms terminated existing trade relationships and opted out of importing activities. The decline in imports was not due to a shift to new suppliers, but rather to reduced participation in the trade itself. In products with few supplier choices, firms maintain existing relationships, despite tariffs, because building new relationships is expensive and complicated. These findings suggest that tariff shocks have a long-lasting impact on the structure of global supply chains, especially as firms do not always easily substitute or relocate sources of supply.

The impact of trade wars also extends to the labor sector. Tao *et al.* (2024) show that the decline in trade volume due to tariff policies impacts employment in the upstream and downstream sectors. Reduced production and shrinking export markets caused many companies to reduce the number of workers or postpone business expansion. At the international level, Shafique and Bhutta (2024) identified that the trade war increased volatility in the stock markets of G7 countries. This volatility occurred during the tariff announcement and the period of speculation and uncertainty leading to the policy decision. This indicates that the effects of the trade war spread beyond the two major countries directly involved and became a serious concern for global markets.

Not only trade policy shocks, Silva, Wilhelm and Tabak (2023) also assert that stock markets globally are highly responsive to geopolitical tensions and conflicts. Market responses outside the countries in dispute prove that the world's financial markets are increasingly connected and vulnerable to shocks in any region. In the Asian context, Islam and Pandow (2025) highlight that small and medium-sized enterprises (SMEs) in Southeast Asia and China are the most vulnerable to the impact of trade wars and other geopolitical tensions, such as the Russia-Ukraine war. Global uncertainty burdens SMEs through supply chain disruptions, fluctuations in logistics costs, and difficulties in accessing financing. Pandey (2024) corroborates this view by showing that the ongoing Israeli Iranian conflict in the Middle East has affected the movement of stock indices and exchange rates in various countries. This suggests that geopolitical tensions in one region can trigger rapid reactions in global markets, especially when global investors increase their sensitivity to political issues that have the potential to destabilize trade and energy.

Meng, Lin and Hong (2025) provide an essential addition in the context of exporting firms' resilience. They find that firms with high competitiveness and aggressive export strategies can better withstand protectionist pressures. In contrast, firms with low efficiency and single-market dependence are the most affected. While several studies have extensively explained how trade wars affect the global economy and financial markets, research that specifically analyzes the sensitivity of sectors in developing countries such as Indonesia is still rare. Most previous studies tend to observe market movements on an aggregate scale and have not dissected the specific impact on each sector.

This study is here to fill that void. By analyzing daily data of sectoral indices on the Indonesia Stock Exchange, this study aims to identify the most vulnerable sectors and sectors that can recover quickly after the announcement of US retaliatory tariffs in 2025. A more detailed understanding of sectoral sensitivity is expected to provide practical contributions for investors, businesses, and policymakers in strategizing for future global trade uncertainty.

RESEARCH METHODS

This research takes an event study approach to analyze the sensitivity of sectors in Indonesia to the announcement of retaliatory tariffs imposed by the United States in 2025. An event study was chosen because this method allows for quickly capturing market reactions and measuring an event's specific impact on stock price movements. With this approach, the research aims to determine which sectors are most affected, which are most vulnerable, and which sectors can show the recovery speed after the tariff policy shock.

The data used in this study is secondary data consisting of daily closing prices of sectoral stock indices on the Indonesia Stock Exchange. The sectors analyzed include eleven industries: Energy, Basic Materials, Industrials, Consumer Non-Cyclicals, Consumer Cyclicals, Healthcare, Financials, Properties & Real Estate, Technology, Infrastructures, and Transportation & Logistics. Daily closing price data was obtained from the official website of the Indonesian Stock Exchange. Data collection is carried out with sufficient time coverage to observe the market response before and after the event, which is the focus of the study.

In the implementation of the event study, two stages of time are used, namely the estimation window and the event window. The estimation window is the observation period before the event used to calculate the expected return of each sector, which in this study is set from 38 days to 1 day before the event date. The event window is an observation period focused on the event's time until after the event takes place. In this study, the event window is set for 18 days, which starts from the active trading day after the announcement of the counter tariff, which in this case falls on April 8, 2025, and is set as day 0 (t0). The countervailing tariff policy was announced by Donald Trump on April 5, 2025, coinciding with a Saturday. The new stock exchange trading day was active again on April 8, 2025, after the Eid holiday on April 7, 2025.

The analysis process begins by calculating the daily return of each sectoral index. The formula used to calculate daily returns is as follows:

$$R_{it} = \frac{P_{it} - P_{it-1}}{P_{it-1}} \dots\dots\dots\dots\dots\dots\dots\dots (1)$$

Where Rit is the return of sector i on day t, Pit is the closing price of sector I on day t, and Pit-1is the closing price on the previous day. After the daily return is obtained, the next step is calculating the expected return. In this study, the expected return is calculated using the mean-adjusted model, which is a method that assumes that the sector's expected return follows the average historical return before the event. The formula is:

$$ER_{it} = \overline{R_{it}} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (2)$$

Where ERit is the expected return of sector i on day t, and $\overline{R_{it}}$ is the average sector return during the estimation period. After obtaining the expected return, the next step is calculating the abnormal return (AR), which is the difference between the actual and expected returns. The abnormal return formula is:

$$AR_{it} = R_{it} - ER_{it} \dots\dots\dots\dots\dots\dots (3)$$

Abnormal return describes the market reaction caused by the event being analyzed. The abnormal return is then summed into the cumulative abnormal return (CAR) to see the overall impact during the event window period. The formula for calculating CAR is:

$$CAR_i = \sum_{T=t1}^{T2} AR_{it} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (4)$$

Where T1 is the beginning of the event window, and T2 is the end of the event window. After the cumulative abnormal return is calculated for each sector, a statistical test is conducted to measure the impact's significance. This study uses a one-sample t-test to test whether the average abnormal and cumulative abnormal returns are statistically different from zero. The t-test is conducted daily in the event window and cumulatively for the entire observation period.

The subsequent analysis compares cumulative abnormal returns across sectors to identify the most affected sectors and sectors that show better resilience. Sectors with significant negative CAR and not showing any recovery soon are considered the most vulnerable sectors. Conversely, sectors with a CAR that quickly turns positive and shows a recovery trend are considered more resilient to tariff policy shocks.

This research approach has limitations as it only examines one counter tariff event announced in 2025 and is limited to sectoral indices on the Indonesia Stock Exchange. This study does not fully control external factors such as macroeconomic fluctuations, domestic political issues, and other global events that may occur during the observation period. Despite the limitations, the approach is expected to provide an accurate picture of Indonesia's sectoral sensitivity to international trade policies.

RESULTS AND DISCUSSION

This study examines the sectoral response on the Indonesia Stock Exchange (IDX) to the announcement of the reciprocal tariff policy by the United States on April 2, 2025. Based on the abnormal return (AR) and cumulative abnormal return (CAR) analysis results presented in Table 1 and 2, it is found that the announcement triggered a significant reaction in the Indonesian stock market. The t-test results in Table 3 reinforce that almost all sectors experienced statistically significant negative abnormal returns on the event day (t0), reflecting the market sentiment that immediately responded to the policy with extensive selling pressure.

Table 1. JCI and Sectoral Abnormal Returns (AR)

Event Window	JCI	Abnormal Return (AR) Energy	BasicMat	Industrial	Non-Cyclical	Cyclical	Health	Finance	Property	Tech	Infra	Transport
t0	-7.72	-7.71	-10.27	-8.47	-4.72	-8.50	-5.73	-5.61	-6.76	-11.7	-7.9	-7.64
t+1	-0.28	-0.95	-2.80	0.73	0.01	-1.92	0.97	0.52	-0.14	-2.88	1.34	0.69
t+2	4.98	5.99	7.30	3.01	4.81	6.42	3.39	3.52	4.20	3.48	5.59	4.57
t+3	0.32	1.21	3.51	0.26	-0.94	-0.35	0.90	0.09	-0.11	-1.69	0.31	1.46
t+4	1.88	3.30	6.29	2.78	3.17	3.37	3.16	1.59	3.93	0.00	3.92	2.62
t+5	1.33	2.84	1.39	-0.15	-0.04	0.62	-0.57	-0.32	1.02	-2.74	2.08	0.53
t+6	-0.46	0.65	0.56	-0.34	-0.14	0.17	0.80	-1.15	-0.13	-1.56	-0.3	-0.54
t+7	0.78	0.64	3.04	-0.29	0.29	-0.13	0.55	0.22	1.49	-0.36	3.01	1.05
t+8	0.31	-0.20	1.92	0.40	-0.30	0.02	0.38	-0.06	0.10	1.83	-0.1	0.12
t+9	1.62	3.85	3.64	0.40	-0.20	1.11	0.01	1.48	2.03	-2.40	2.10	1.54
t+10	1.66	1.00	-1.29	1.25	1.87	2.02	2.41	1.84	2.65	-1.59	1.18	0.78
t+11	-0.13	0.52	0.42	0.63	1.48	0.11	0.90	-0.04	-0.15	-1.35	1.03	0.52
t+12	1.18	0.77	1.80	0.72	2.82	1.18	0.91	1.36	1.78	0.91	1.37	1.92
t+13	0.85	1.78	0.25	0.53	0.48	1.06	0.69	0.95	0.54	-2.08	0.86	0.99
t+14	0.57	0.74	1.64	-0.98	0.83	1.20	1.84	0.21	0.38	-0.65	1.86	1.52
t+15	0.45	0.08	-0.11	-0.15	1.18	0.89	3.03	-0.03	0.63	-2.09	-1.1	1.57
t+16	0.91	0.89	1.87	-0.13	-0.55	0.24	1.31	0.80	1.07	-1.80	1.92	0.00
t+17	0.42	0.69	2.30	0.27	0.52	2.03	0.20	0.19	1.03	-1.98	0.56	0.43

As shown in Table 3, the average abnormal return (AAR) across sectors at t0 reached -7.74%, with a t-statistic of -13.62 and a p-value of 0.0000, indicating a very high significance level. Almost all sectors recorded substantial pressure on the announcement day (see Table 1), with the technology sector being the hardest hit sector with an AR of -11.79%, followed by the basic materials sector (-10.27%) and the industrials sector (-8.47%). This finding aligns with the results of Wengerek et al. (2025) which shows that global stock markets tend to respond sharply to tariff policy announcements, especially in sectors with considerable exposure to international trade.

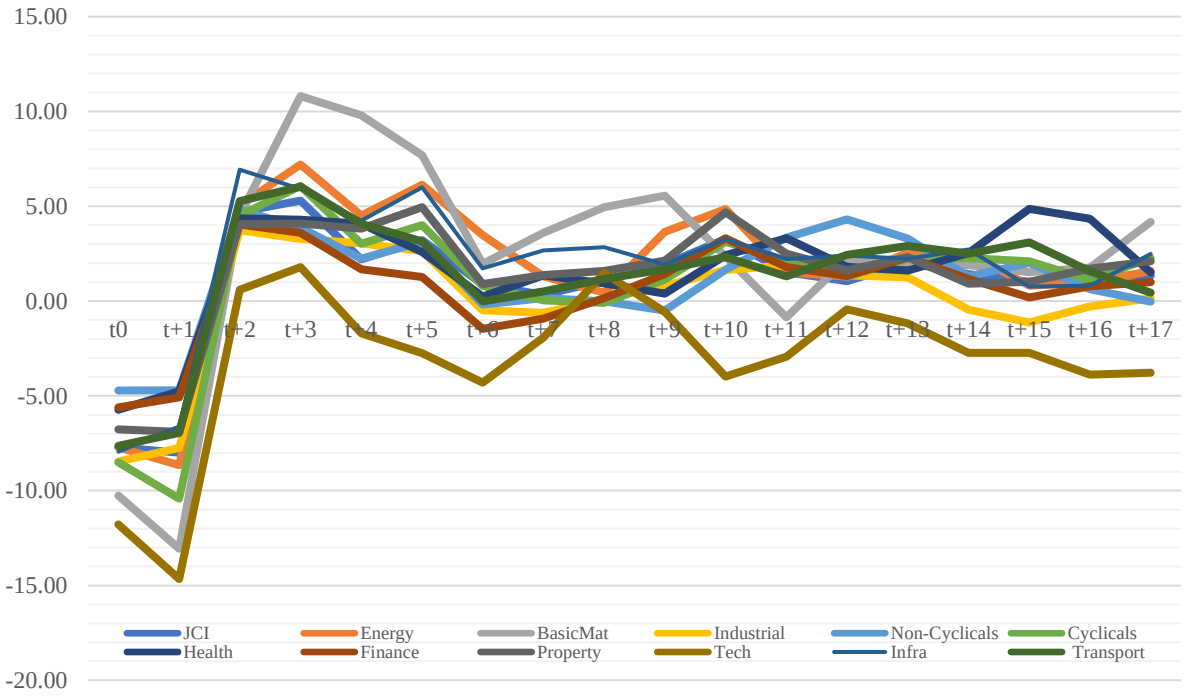

Figure 1. Cumulative Abnormal Return of Each Sector

The technology sector experiencing the most tremendous pressure at t0 reflects the sector's sensitivity to the risk of global supply chain disruption. The study of Kaczmarek *et al.* (2025) confirms that the technology and raw materials sectors have the highest exposure to tariff risk due to their linkages with imported inputs and dependence on cross-border supplier networks. In the Indonesian context, although the technology sector is not as large as in the United States or China, market expectations of supply disruptions and potential increases in production costs exacerbate risk perceptions in this sector. Zhang and Du (2023) also explain that media framing that tends to highlight uncertainty in the

technology sector during trade wars can further prolong negative market perceptions, which is then reflected in the slow recovery process of the technology sector in Indonesia.

Table 2. Cumulative Abnormal Return (CAR) of JCI and Sectors

	Cumulative Abnormal Return (CAR)											
Event Window	JCI	Energy	BasicMat	Industrial	Non-Cyclical	Cyclical	Health	Finance	Property	Tech	Infra	Transport
t0	-7.72	-7.71	-10.27	-8.47	-4.72	-8.50	-5.73	-5.61	-6.76	-11.7	-7.9	-7.64
t+1	-8.00	-8.66	-13.06	-7.74	-4.71	-10.42	-4.77	-5.08	-6.90	-14.6	-6.6	-6.95
t+2	4.69	5.04	4.51	3.73	4.82	4.51	4.36	4.04	4.06	0.60	6.93	5.26
t+3	5.30	7.20	10.81	3.27	3.88	6.07	4.29	3.60	4.09	1.79	5.90	6.03
t+4	2.20	4.51	9.80	3.04	2.23	3.02	4.06	1.68	3.82	-1.69	4.23	4.08
t+5	3.22	6.14	7.69	2.63	3.13	4.00	2.59	1.28	4.95	-2.75	6.00	3.14
t+6	0.87	3.49	1.95	-0.49	-0.18	0.79	0.23	-1.47	0.90	-4.30	1.73	-0.01
t+7	0.32	1.29	3.60	-0.63	0.15	0.04	1.35	-0.93	1.36	-1.92	2.66	0.50
t+8	1.09	0.44	4.96	0.12	-0.02	-0.11	0.93	0.16	1.59	1.47	2.84	1.17
t+9	1.92	3.65	5.56	0.80	-0.51	1.13	0.39	1.42	2.13	-0.57	1.92	1.67
t+10	3.27	4.85	2.35	1.65	1.66	3.13	2.42	3.32	4.68	-3.99	3.28	2.32
t+11	1.53	1.52	-0.87	1.88	3.34	2.13	3.31	1.80	2.50	-2.94	2.21	1.30
t+12	1.05	1.29	2.22	1.35	4.30	1.29	1.81	1.32	1.63	-0.44	2.40	2.44
t+13	2.02	2.54	2.05	1.26	3.30	2.24	1.60	2.30	2.32	-1.17	2.23	2.90
t+14	1.42	2.51	1.89	-0.45	1.31	2.27	2.53	1.16	0.92	-2.73	2.72	2.51
t+15	1.02	0.81	1.53	-1.13	2.01	2.09	4.86	0.18	1.01	-2.74	0.76	3.09
t+16	1.36	0.97	1.76	-0.28	0.62	1.12	4.34	0.78	1.70	-3.88	0.82	1.58
t+17	1.33	1.59	4.18	0.14	-0.04	2.26	1.51	1.00	2.10	-3.78	2.48	0.44

The announcement day also significantly impacted the basic materials and energy sectors. The pressure in the basic materials sector is closely related to market expectations of lower global demand and potential distribution barriers due to tariffs. This finding is in line with the findings of You *et al.* (2024), which explains that sectors with high exposure to global trade networks, such as raw materials, are highly vulnerable to external shocks. Decreased demand and distribution disruptions are the main transmission channels of trade war impacts on this sector.

However, it is interesting to note that based on Table 2, the basic materials and energy sectors are the two sectors with the highest recovery speed in the observation period. On the fifth post-event day (t+5), the basic materials sector recorded a positive CAR of 7.69%, while the energy sector recorded a CAR of 6.14%. The relatively quick recovery in these two sectors suggests an adjustment in market expectations, where market participants may begin to consider companies' ability to adapt operational strategies, such as diversifying raw material sources or seeking alternative trading channels. In their study, Handley, Kamal and Monarch (2024) found that firms with flexible supply chain management capabilities can respond quickly to tariff policies, thereby reducing the long-term impact of trade shocks.

In contrast, the technology sector, which at t0 experienced the deepest pressure, has not shown a significant recovery until the end of the observation period (t+17). As seen in Table 2, the technology sector still recorded a negative CAR of -3.78%. This pattern confirms that the impact of the trade war on the technology sector is not only short-term but also has the potential to create longer-lasting structural effects due to supply uncertainty and changes in the global trade landscape. In their study, Zhang and Du (2023) confirmed that investors often perceive technology sector risks in the long term, as news and market analysis tend to highlight the potential for continued risks in this sector constantly.

The consumer cyclicals and industrials sectors, which also experienced pressure at t0, showed a volatile recovery pattern. Despite rebounding at t+2 and t+4 as seen in Table 1, the recovery in these two sectors was not as strong as in the basic materials and energy sectors. This pattern can be explained by considering the sensitivity of the consumer cyclicals sector to people's purchasing power and the dependence of the industrials sector on the stability of export demand. This finding is consistent with the finding of Laksmana (2024), which explains that manufacturing and consumption-based sectors in Indonesia tend to be affected by export volatility and global uncertainty brought about by trade wars.

The consumer non-cyclicals, healthcare, and financials sectors showed relatively more stable performance throughout the observation period. These three sectors exhibit defensive characteristics and have a strong domestic market orientation. As shown in Table 2, these sectors managed to maintain positive CARs or experienced rapid recovery after the event. This finding is in line with the study of Purwono *et al.* (2022), which asserts that domestically oriented sectors are more resilient in the face of

external shocks as they are more dependent on domestic market dynamics. Islam and Pandow (2025) also support this finding by stating that sectors that serve basic needs in Southeast Asia generally have better resilience to global trade uncertainty and geopolitical crises.

The financials sector, which was depressed at t0, soon recovered in the following days. Table 1 and 2 show that the industry recorded recurring positive abnormal returns in the days following the event. The stability of this sector reflects the resilience of the domestic financial industry, which is relatively insulated from direct international trade risks. This result is in line with the finding of Shafique and Bhutta (2024), which identified that although global stock markets experienced a spike in volatility during the trade war, the domestic financial sector in some emerging economies was still able to show resilience as the fundamental strength of the domestic economy.

Based on the t-test results presented in Table 3, it is found that apart from the announcement day (t0), the average abnormal returns across sectors are also statistically significant on several important days such as t+2, t+4, t+7, t+9, t+10, t+12, t+13, and t+14. The significant waves on these days indicate that the market reaction to the tariff policy is not only limited to the immediate impact at the time of announcement but also creates a recurring pattern of fluctuations in the post-event period. This indicates that investors continue adjusting their expectations while developing information and news related to the trade war. This pattern may be related to the trade war discourse that also dynamically continues to evolve politically, which ultimately led Donald Trump to announce a delay in the implementation of tariffs on April 9, 2025, 3 days (t+3) after the counter tariff policy was announced.

Table 3. The Results of the T Test of AAR and ACAR

Event	Average Abnormal Return (AAR)				Cumulative Average Abnormal Return (CAR)			
Window	AAR	Stdev	t-statistic	p-value	ACAR	Stdev	t-statistic	p-value
t0	**-7.74**	1.97	-13.62	0.00***	**-7.74**	1.97	-13.62	0.00***
t+1	-0.39	1.44	-0.94	0.37	**-8.13**	3.16	-8.90	0.00***
t+2	**4.77**	1.35	12.27	0.00***	**4.38**	1.44	10.50	0.00***
t+3	0.41	1.31	1.10	0.29	**5.19**	2.32	7.75	0.00***
t+4	**3.00**	1.52	6.86	0.00***	**3.42**	2.63	4.50	0.00***
t+5	0.50	1.44	1.20	0.25	**3.50**	2.68	4.52	0.00***
t+6	-0.21	0.70	-1.02	0.33	0.29	1.93	0.52	0.61
t+7	**0.86**	1.15	2.59	0.03**	0.65	1.53	1.48	0.17
t+8	0.36	0.74	1.69	0.12	**1.22**	1.45	2.91	0.014**
t+9	**1.26**	1.70	2.58	0.03**	**1.63**	1.70	3.31	0.00***
t+10	**1.15**	1.33	2.99	0.01**	**2.41**	2.26	3.70	0.00***
t+11	0.33	0.72	1.57	0.14	**1.48**	1.76	2.90	0.014**
t+12	**1.39**	0.61	7.95	0.00***	**1.72**	1.12	5.34	0.00***
t+13	**0.57**	0.92	2.16	0.053*	**1.97**	1.12	6.06	0.00***
t+14	**0.76**	0.93	2.86	0.02**	**1.34**	1.57	2.95	0.013**
t+15	0.36	1.30	0.96	0.36	**1.12**	1.93	2.02	0.07*
t+16	0.55	1.06	1.78	0.10	0.91	1.87	1.68	0.12
t+17	0.55	1.06	1.82	0.10	**1.10**	1.92	1.98	0.07*

Overall, this study's results confirm that the trade war's impact on sectors in Indonesia is sectoral, uneven, and dependent on the characteristics of each industry, especially concerning global exposure and domestic market orientation. This finding reinforces the conclusions of Fajgelbaum *et al.* (2019), Shafique and Bhutta (2024), and You *et al.* (2024) that global trade shocks, despite originating from conflicts between two major countries, eventually have a noticeable impact on developing countries through trade transmission and market sentiment.

This research makes an essential contribution to enriching the understanding of sectoral sensitivity in Indonesia to global trade shocks. This understanding is critical not only for investors in devising diversification and risk mitigation strategies but also for policymakers in designing economic policies that can increase the resilience of strategic sectors in Indonesia to changes in global dynamics.

CONCLUSION

This study examines the sensitivity of sectors on the Indonesia Stock Exchange to the reciprocal tariff policy imposed by the United States on April 2, 2025. Based on the results of abnormal return and cumulative abnormal return data analysis in the event window period t0 to t+17, it was found that the announcement of the tariff policy triggered a significant negative reaction in almost all sectors on the announcement day.

The technology sector was the most heavily impacted and slowest to recover. In contrast, the basic materials and energy sectors showed the fastest recovery with the highest positive cumulative abnormal returns in the days following the event. The consumer non-cyclicals, healthcare, and financials sectors showed better resilience over the observation period, indicating their defensive sector characteristics and dependence on the domestic market.

The t-test results confirm that the market reaction to the tariff policy announcement is not only limited to the day of the announcement but also generates a wave of responses in the following days. These findings suggest that investors continue to adjust their expectations of tariff policy dynamics during periods of global trade uncertainty.

Overall, this study confirms that the impact of the trade war on sectors in Indonesia is sectoral and not homogeneous. This finding reinforces previous literature that shows that global trade shocks have broad transmission effects, including on developing countries such as Indonesia. This study contributes significantly to understanding the pattern of sectoral sensitivity to global policies. It can be a reference for investors in portfolio diversification strategies and for policymakers in formulating international trade risk mitigation policies.

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