ANALYSIS OF STOCK PRICE VOLATILITY IN THE JAKARTA ISLAMIC INDEX (JII) DURING THE IMPLEMENTATION OF THE TRUMP TARIFF POLICY IN 2025

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Abstract

This study aims to analyze the phenomenon of the reciprocal tariff policy, also known as the Trump Tariff, enacted by the United States in 2025, and the response of Islamic capital market participants to this global event, observed through stock price volatility in the Jakarta Islamic Index (JII). A descriptive quantitative approach was employed to explain the results by presenting the collected data as they are, without attempting to draw generalizable conclusions. The data analysis methods used include the calculation of daily logarithmic returns, estimation of historical volatility using a 7-day rolling standard deviation, identification of tariff policy announcement dates in 2025, and visual interpretation of volatility pattern changes around that period in the observed market conditions. The results indicate that the Indonesian Islamic stock market (JII) experienced significant price fluctuations during the period of the new tariff policy under President Trump. Daily returns showed a negative tendency with an asymmetric distribution, reflecting market uncertainty in responding to global dynamics. The highest level of volatility occurred in April 2025, suggesting that the market reacted to global economic issues through increased price instability. This study demonstrates that external conditions such as tariff policies can influence market psychology and stability, even if not proven causally.

Keywords: Volatility, Reciprocal Tariff, Trump Tariff, Trade War, Jakarta Islamic Index

INTRODUCTION

The state and the market are two components that cannot be separated in their development. This is because the state represents the political sphere, while the market represents the economic sphere, and there is an interrelated relationship between the two (Badiri, 2020). The foreign economic policies adopted by each country in the world will certainly have an impact on the utilization of that country's resources. Political competition between strong and weak countries can have consequences for existing systems, for example in the framework of international trade (Dwinata et al., 2025).

A trade war is an economic conflict that can cause a country to experience disruptions in its trade cycle by imposing high tariffs on a targeted country. This action will trigger retaliatory responses from the affected country if it experiences losses (Halim, 2024). This phenomenon occurred in the trade war between the United States and China. The series of events in the trade war between the United States and China began in 2018, when U.S. President Donald Trump implemented protectionist policies against China by imposing high tariffs on imported goods (Junaidi, 2014).

On April 2, 2025, U.S. President Donald Trump introduced a new import tariff policy called Reciprocal Tariffs, also known as the Trump Tariff. This policy imposed additional tariffs on imported products from various countries, including Indonesia (Masruri et al., 2019). The impact of this policy extends beyond the United States and China, affecting nearly all regions of the world, including Indonesia.

The Jakarta Islamic Index (JII), as a leading Islamic stock index in Indonesia, serves as an important representation of Islamic investors' perceptions of global economic shocks. This index consists of Sharia-compliant stocks with strong fundamentals, large market capitalization, and high liquidity (Pablo & Amit, 2022). Stock volatility is often used as an indicator of market uncertainty within a given period, where higher volatility reflects greater uncertainty. Several studies have indicated that global trade policies, such as tariffs, can trigger increased volatility in stock markets. The uncertainty arising from volatility often becomes a major challenge, particularly for retail investors who have limited capacity in managing risk (Rifki, 2024).

This research is important to understand the phenomenon of the implementation of reciprocal tariff policies, also known as the Trump Tariff, by the United States and the response of Islamic capital market participants to this global phenomenon, as observed through stock price volatility in the Jakarta Islamic Index (JII).

REVIEW OF LITERATURE

The U.S.–China Trade War

The U.S.–China trade war occurred through several waves of tariff measures between 2018 and 2019. In February 2018, the U.S. International Trade Commission determined that imports of washing machines and solar panels had harmed domestic producers, prompting President Trump to impose safeguard tariffs on several countries. Shortly thereafter, the United States imposed additional tariffs on steel and aluminum targeting countries such as China, the European Union, and Canada. In response, China and other trading partners implemented retaliatory tariffs against the United States. Furthermore, in March 2018, the Office of the United States Trade Representative accused China of engaging in unfair trade practices, including forced technology transfer and intellectual property theft. Based on these concerns, the United States imposed tariff increases in five phases on Chinese imports in July 2018, August 2018, September 2018, June 2019, and September 2019. China also responded with countermeasures to each tariff increase. In January 2020, both countries signed a Phase One agreement to ease market tensions by reducing tariffs imposed in September 2019 by half, although tariffs remained in effect until the end of 2021 (Sambara, 2021).

On April 2, 2025, the President of the United States, Donald Trump, announced new reciprocal tariff measures affecting approximately 90 countries with trade relations with the United States, including Indonesia. This policy prompted affected countries to respond through various measures, ranging from renegotiation, as undertaken by Indonesia, to retaliatory tariffs, as implemented by China (Tsalisati, 2024).

Reciprocal Tariff Policy (Trump Tariff)

Foreign policy is both a process and the outcome of decision-making that considers the references and consequences of such policies. It is implemented either to change unfavorable conditions for a country or to maintain stability when other countries attempt to alter the international economic and political order. In line with his campaign slogan, "Make America Great Again," President Donald Trump sought to restore the United States to a level of prosperity and progress that he perceived to have declined during the administration of Barack Obama. One of the key policies adopted was protectionism, which restricts international trade through taxation measures. This policy aims to reduce the inflow of imported goods into the United States, although it is considered inconsistent with the principles of the Free Trade Agreement (FTA) because it may hinder global economic development, particularly for developing countries (Utami & Herlambang, 2016).

In 2025, following his re-election as President of the United States, Donald Trump reintroduced the Reciprocal Tariffs, also known as the Trump Tariff, affecting nearly all countries, including Indonesia. This policy was driven by a persistent and significant annual trade deficit. It is referred to as "reciprocal tariffs" because it is intended to address what is perceived as unfair trade practices, such as high tariffs or non-tariff barriers imposed on U.S. goods by other countries, and to create a level playing field in international trade. The United States applies equivalent tariffs in response to restrictions imposed on its exports by other countries (Utami, 2021). Trump declared a national emergency under the International Emergency Economic Powers Act (IEEPA) to implement these tariffs broadly and rapidly, arguing that unfair foreign trade practices could pose a threat to national security. Additionally, the implementation of reciprocal tariffs is intended to pressure other countries to open their markets to U.S. products.

Jakarta Islamic Index (JII)

The Jakarta Islamic Index (JII) was first established on July 3, 2000. It is the first Islamic stock index in Indonesia and consists of 30 of the most liquid Sharia-compliant stocks listed on the Indonesia Stock Exchange (Sugiyono, 2013). The establishment of JII resulted from collaboration between the Indonesia Stock Exchange and PT Danareksa Investment Management. The concept of the Islamic capital market in Indonesia is similar to that of Malaysia, combining conventional and Sharia-based market mechanisms (Bursa Efek Indonesia, 2025). The purpose of JII is to increase the confidence of Muslim investors in investing in Sharia-compliant stocks and to facilitate investment activities in accordance with Islamic principles in the Indonesia Stock Exchange. Like other indices, JII is dynamic, meaning it is periodically updated to remain responsive to market movements while maintaining compliance with Sharia principles.

Government Response and Policies in the Capital Market

The tariff policy implemented by the President of the United States has had a significant impact on the Indonesian capital market. The Indonesia Stock Exchange (IDX), as the authority responsible for regulating and facilitating securities trading in the capital market (IDX, 2025), with support from the Financial Services Authority (OJK), introduced adjustments to several regulations. These include amendments to Board of Directors Decree Number Kep-0091/BEI/12-2024 regarding changes to Regulation II-A on Equity Securities Trading and Decree Number Kep-00024/BEI/03-2020 regarding guidelines for maintaining trading continuity under emergency conditions. The updated provisions are outlined in Decree Number Kep-00002/BEI/04-2025 and Decree Number Kep-00003/BEI/04-2025 (IPOT News, 2025).

Under these new provisions, several changes were introduced. First, the lower auto rejection limit was adjusted to 15 percent for stocks listed on the Main Board, Development Board, and New Economy Board, as well as for Exchange-Traded Funds (ETF) and Real Estate Investment Funds (DIRE), across all price ranges. This rule aims to protect investors from high market volatility. Second, provisions regarding temporary trading suspensions were implemented. If the Composite Stock Price Index (IHSG) declines by more than 8 percent in a single trading day, a trading halt of 30 minutes will be imposed. If the decline continues to exceed 15 percent, another 30-minute halt will be enforced. If the decline reaches more than 20 percent, trading will be suspended for the remainder of the trading session or longer, subject to approval from the OJK (Tempo, 2025). These measures are intended to provide broader liquidity space for investors in determining their investment strategies based on evolving market conditions.

Based on data from the Indonesia Stock Exchange, on the first trading day following the announcement of the Trump tariff policy, April 8, 2025, total net foreign selling reached IDR 3.8 trillion out of total transactions amounting to IDR 20.9 trillion (IPOT News, 2025). This led to a sharp decline in the Composite Stock Price Index (IHSG) by 9.16 percent to a level of 5,914.28, triggering a temporary trading halt in accordance with the newly implemented policy (Tempo, 2025).

Stock Price Volatility

Volatility refers to rapid and unpredictable fluctuations in prices or values, often reflecting market instability and typically influenced by economic crises, policy changes, and global events. In volatile market conditions, future outcomes become difficult to predict due to limited information and uncertainty regarding the factors influencing decision-making (Tsalisati, 2024). Volatility is a statistical measure of price fluctuations of an asset over a certain period and can be represented by the standard deviation. Standard deviation measures the dispersion of data from its mean; the higher the standard deviation, the higher the level of volatility. Consequently, higher volatility indicates a higher level of uncertainty in the potential returns of a stock (Romli et al., 2017).

RESEARCH METHOD

This study employs a descriptive quantitative approach using secondary data in the form of daily index values of the Jakarta Islamic Index (JII) for the period from December 1, 2024 to May 14, 2025, as well as books, journals, and other documents related to the Trump Tariff policy and stock price volatility in the Jakarta Islamic Index (JII). Descriptive statistical analysis is used to analyze the data by describing or illustrating the collected data as they are, without attempting to draw generalizable conclusions (Romli et al., 2017).

The data analysis methods used include the calculation of daily logarithmic returns, estimation of historical volatility using a 7-day rolling standard deviation, identification of tariff policy announcement events in 2025, and visual interpretation of changes in volatility patterns around that period.

RESULTS AND DISCUSSION

Description of Closing Prices, Logarithmic Returns, and JII Volatility

This study uses data from the Jakarta Islamic Index (JII) from early December 2024 to May 2025, employing statistical measures such as mean, minimum value, maximum value, standard deviation, skewness, and kurtosis. Standard deviation is used to measure the dispersion of data from its mean. The higher the standard deviation, the higher the risk or volatility. Skewness measures the degree of asymmetry in the data distribution around its mean. A normal distribution is symmetric, with a skewness value of 0. Positive skewness indicates that the distribution has a longer right tail (extreme increases occur more frequently), while negative skewness indicates a longer left tail (extreme decreases occur more frequently). This measure is useful for anticipating the direction of market risk.

Kurtosis is used to describe the peakedness or flatness of a data distribution. In a normal distribution, kurtosis equals 0. Positive kurtosis indicates a more peaked distribution (more extreme values), while negative kurtosis indicates a flatter distribution. Kurtosis can be used to observe the frequency of extreme movements in the market (Junaidi, 2014). The statistical data for closing prices, daily logarithmic returns, and 7-day rolling volatility are presented in Table 1.1 below:

Table 1.
Statistical Summary of Closing Prices, Logarithmic Returns, and JII Volatility

Statistic	Closing Price	Log Return	7-Day Volatility (%)
Mean	453.92	-0.0005	27.17
Minimum	373.94	-0.0881	8.26
Maximum	521.11	0.0520	75.65
Standard Deviation	-	0.0196	16.44
Skewness	-	-0.82	1.36
Kurtosis	-	3.82	1.35

Source: Indonesian Stock Exchange

Based on the table above, the closing price of the JII has an average of 453.92, with a minimum value of 373.94 and a maximum of 521.11. This indicates significant price fluctuations during the observation period.

Daily logarithmic returns show an average value of -0.0005, indicating a slight downward tendency. A standard deviation of 0.0196 reflects moderate variation in daily returns. A skewness value of -0.82 indicates that the return distribution is left-skewed, while a kurtosis value of 3.82 indicates a leptokurtic distribution, meaning the distribution has a higher peak than a normal distribution.

Meanwhile, the 7-day volatility shows an average value of 27.17% with a standard deviation of 16.44%, a minimum value of 8.26%, and a maximum of 75.65%. A skewness value of 1.36 indicates that the volatility distribution is right-skewed, while a kurtosis value of 1.35 suggests a distribution that is close to normal (mesokurtic).

Graph of JII Closing Price Movement

Figure 1. shows the daily closing price movement of the JII index during the period from December 2024 to May 2025. It can be observed that prices experienced significant fluctuations, with the lowest value of 373.94 recorded on April 9, 2025, two days after the stock exchange holiday from April 1 to April 7, 2025 (following the announcement of the Trump Tariff on April 2, 2025), and the highest value of 521.11 recorded on December 11, 2024.

Figure 1.
Closing Price Movement of the Jakarta Islamic Index (JII) (December 2024 – May 2025)
Source: Indonesian Stock Exchange

In general, the price trend indicates selling pressure in early 2025, which may be associated with global uncertainty following the new tariff policy introduced by President

Trump. Prices then showed a recovery in April and May before experiencing another correction on May 8 and 9.

Graph of JII Logarithmic Returns

Figure 2. illustrates the daily logarithmic return of the JII index. These returns reflect daily changes that are more sensitive to market volatility compared to raw prices.

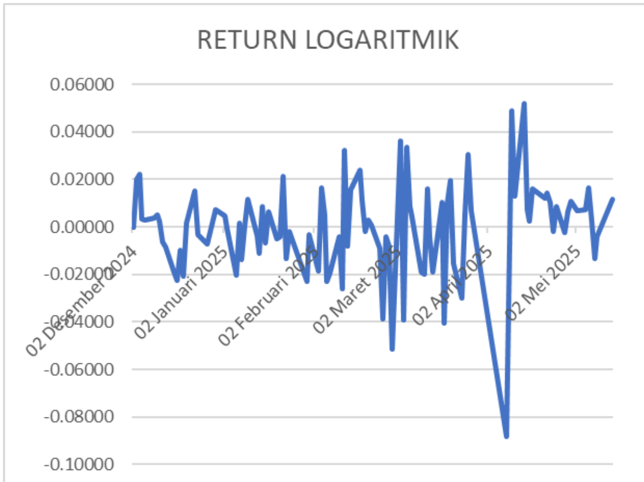

Figure 2.
Logarithmic Return of the Jakarta Islamic Index (JII)

Logarithmic returns show several extreme points, such as a sharp decline on April 9, 2025, with a minimum return of -0.0881, and the highest increase recorded on April 14, 2025, at 0.0520. This indicates that the JII index experienced sharp movements in response to global economic and geopolitical news.

Rolling Volatility Graph

Figure 3. presents the 7-day rolling volatility of the JII logarithmic returns. Rolling volatility is used to observe short-term price instability.

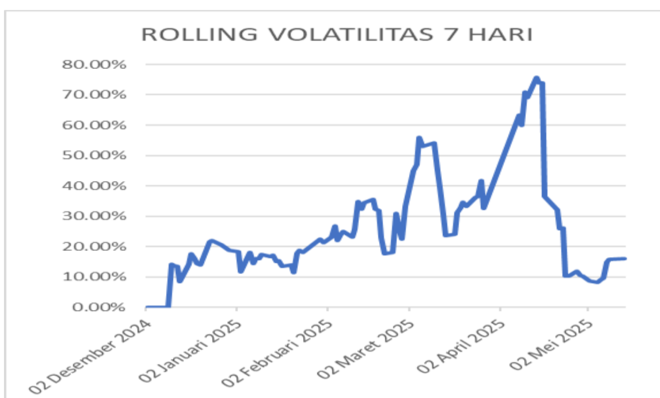

Figure 3.
7-Day Rolling Volatility of the Jakarta Islamic Index (JII)

The highest volatility occurred in April 2025, reaching a maximum value of 75.65%. This indicates that the market was highly unstable during that period, which may be associated with rising trade tensions due to the Trump tariff policy. In contrast, a period of low volatility (around 8.26%) occurred in May 2025, indicating greater market stability.

Discussion

Based on the results of the statistical and graphical analysis, the Jakarta Islamic Index (JII) during the period from December 2024 to May 2025 experienced considerable price fluctuations, with an average value of 453.92 and a range between 373.94 and 521.11. This wide range reflects dynamic market conditions and indicates that the index was subject to significant pressure during the observation period. The downward trend observed in early 2025 suggests the presence of external factors influencing investor behavior, particularly in response to global economic uncertainty.

Furthermore, the analysis of daily logarithmic returns shows a slightly negative average value (-0.0005), indicating a marginal tendency toward decline. However, the presence of extreme values in both positive and negative directions suggests that the market experienced sudden shocks. The negative skewness (-0.82) indicates that sharp declines occurred more frequently than extreme increases, while the kurtosis value of 3.82 reflects a leptokurtic distribution, meaning that extreme events were more frequent than in a normal distribution. This condition highlights the vulnerability of the market to abrupt changes, especially during periods of uncertainty.

In addition, the 7-day rolling volatility reached an average of 27.17%, with a significant spike of up to 75.65% in April 2025. This sharp increase in volatility indicates a period of heightened market instability, which may be associated with the announcement of international tariff policies by the United States on April 2, 2025. The timing of this volatility surge suggests that global economic policies, particularly trade tariffs, play an important role in influencing investor sentiment and market dynamics.

Overall, these findings indicate that external economic policies, especially those related to international trade, contribute to increased volatility in the Indonesian Islamic stock market, particularly within the JII index. Although this study employs a descriptive approach and does not establish causal relationships statistically, the observed patterns suggest a strong association between global policy developments and market instability.

CONCLUSION

Based on the descriptive analysis of closing prices, logarithmic returns, and JII index volatility during the period from December 2024 to May 2025, it can be concluded that the Indonesian Islamic stock market (JII) experienced significant price fluctuations during the period of the new tariff policy introduced by President Trump. Daily returns show a negative tendency with an asymmetric distribution, reflecting market uncertainty in responding to global dynamics. The highest level of volatility occurred in April 2025, indicating that the market reacted to global economic issues through increased price instability. This study demonstrates that external conditions, such as tariff policies, can influence market psychology and stability, although no causal relationship is statistically established.

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