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# Trump Tariff: What stock markets reaction in Southeast Asia

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**Abstract** – *Donald Trump's tariff policies have had a disproportionate impact on ASEAN economies, disrupting exports, deterring investment, and weighing on US-ASEAN trade relations. To address these challenges, ASEAN countries are exploring diversification, regional integration, and domestic reforms to increase resilience and reduce vulnerability to protectionist shocks. This study aims to determine the reaction of capital markets to Trump's reciprocal tariff policies in the Southeast Asian region. This study employs an observation period of five days before and five days after the announcement of Trump's reciprocal tariffs, by comparing stock market returns in ASEAN countries, especially Indonesia, Malaysia, Vietnam, Singapore, Thailand, and the Philippines. The test was conducted by comparing returns before and after the event. The test results show that the Singapore and Malaysian stock markets reacted negatively while the capital markets of other ASEAN countries did not show significant reactions.*

**Keywords** – *Market Reaction, Southeast Asian Stock Market, policy Trump tariffs, abnormal returns*

## I. INTRODUCTION

United States (US) President Donald Trump officially set an import tariff policy for almost all trading partner countries. Trump's tariff policy is to reduce the trade deficit which is considered detrimental to the country's domestic economy. Trump's import tariff policy aims to match US import tariffs with those imposed by its trading partners on US products. However, this move has had a wide economic impact, both for the countries affected by the tariffs and for the global economy as a whole. The reciprocal tariffs imposed by the Trump administration involve adjusting U.S. import tariffs to match the tariffs imposed by other countries on U.S. products. For example, if a country imposes a 10 percent tariff on US products, then the US will impose the same tariff on products from that country. The main goal of this policy is to reduce the trade deficit and encourage domestic production. Southeast Asian countries, such as Vietnam, Thailand, and Indonesia, are heavily dependent on exports to the US. The imposition of high tariffs by the US has the potential to reduce the competitiveness of their products in the US market,

South East Asia (ASEAN) is among the hardest hit, based on the headline tariffs. Aside from China, ASEAN countries are also among those with the highest tariffs given their trade imbalances with the US. Vietnam and Thailand drew the highest punitive tariffs at 46% and 36% respectively. [1]

Table I US Reciprocal Tariff on ASEAN Vs Tariff Charged to the US

| Countries | US Reciprocal Tariff on ASEAN | Tariffs charged to the US |
|---|---|---|
| Vietnam | 46% | 90% |
| Thailand | 36% | 72% |
| Indonesia | 32% | 63% |
| Malaysia | 24% | 47% |
| Philippines | 17% | 34% |
| Singapore | 10% | 10% |

Reaction index price stocks in Southeast Asian countries against reciprocal tariffs, such as the following:

Figure 1 Southeast Asia stock market graph before and after Trump's tariffs

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Figure 1 shows that In the ASEAN region, Vietnam's benchmark stock index plunged 6.7%, heading for its biggest one-day drop since January 2021, while its currency, the dong, fell 0.7% to an all-time low. Thailand's stock index fell 1.1% while the baht fell to a one-month low. The Composite Stock Price Index (IHSG) had plunged 9.19% at the beginning of the first trading session. The Indonesia Stock Exchange (IDX) even had time to freeze trading or halt trading because IHSG had weakened by more than 8%. IHSG had touched the level of 5,882.605 which was the lowest level in 3 years. Southeast Asian countries responded at different speeds to Trump's announcement. Some showed a slow decline before falling sharply, while others reacted immediately with a noticeable to significant drop.

This study aims to know how the stock market reaction in the Southeast Asian region (Indonesia, Malaysia, Thailand, Philippines, Singapore, and Vietnam) to Trump tariffs.

## II. LITERATURE REVIEW

The Efficiency Market Hypothesis (EMH) is a financial theory that suggests that stock prices fully incorporate all available information at any given time, making it possible for investors to consistently achieve higher returns than the overall market through stock price or market timing. Fama (1970) stated that the stock market responds to all available information, and therefore, it is impossible to earn abnormal returns by utilizing public or previously known information. [3] The stock market and the bond market react to each other; gaining clarity and identifying their interrelationship requires deeper analysis to determine the extent of any overreaction. [4] The behavioral perspective provides valuable insights into understanding overall financial decision-making in markets and firms. It reveals the limitations of the perfect rationality assumption and offers ways to enhance both financial understanding and practice. [5] Patterns in long-term returns that appear inconsistent with market efficiency are often broken and can be attributed to chance or shortcomings in specific methods or approaches. This research suggests that the overall evidence does not provide a strong basis for rejecting the efficient market hypothesis[6]

The information allows us to measure key aspects such as the amount of information contained in price movements, the speed at which new information spreads, the level of information redundancy, and the uncertainty or entropy of the market. [7] An in-depth exploration of the two perspectives—Efficient Market Hypothesis (EMH) and Fractal Market Hypothesis (FMH)—offers a richer understanding of market efficiency under various conditions. It also traces the evolution of thought from the traditional and often rigid view of market efficiency toward a more complex and dynamic understanding that acknowledges the role of investor behavior, liquidity, and fractal market structures in shaping the degree and characteristics of market efficiency. [8]

Bridging the gap between factor-based asset pricing models that acknowledge market inefficiencies and asset allocation models that allow for the incorporation of subjective views. This proposed integration reflects the evolution of thought in modern finance, moving toward a more nuanced understanding of market efficiency and the active role of investors in the processes of price formation and capital allocation. The findings of this study can make a significant contribution to portfolio management practices by offering more advanced and flexible tools for investment decision-making. [9]

Southeast Asian stock markets exhibit characteristics of weak-form market efficiency. Overall, based on various market efficiency tests used in this study, we can conclude that the stock markets in Cambodia, Laos, and Singapore are consistently found to be efficient in the weak form. [10] Meanwhile, Rizqi (2024) found that the ASEAN-5 countries (Indonesia, Malaysia, Thailand, the Philippines, and Singapore) were efficient during the 2021 and 2023 periods. [11]

Developed markets tend to be more efficient and respond more quickly to public information. Parties with superior information (insiders) send signals to those with less information (outsiders) to reduce information asymmetry. In the context of the stock market, policy announcements—such as trade tariffs—can serve as signals to investors regarding economic prospects and corporate performance. [12] The announcement of trade tariffs by President Trump was interpreted by Southeast Asian stock markets as a negative signal concerning trade prospects and economic growth in the region. However, market responses may vary depending on the credibility of the announcement, market expectations, and the unique characteristics of each country's market.

Trump once imposed tariffs and pursued policies that contributed to uncertainty in global markets. The Trump administration recently triggered a trade escalation, and this study provides empirical evidence of the political targeting behind retaliatory tariffs. An innovative simulation approach shows that retaliatory tariffs disproportionately targeted regions with stronger support for the Republican Party. This indicates that the retaliatory tariffs appear to have a clear political dimension. . [13]

The trade war between the United States and China resulted in substantial economic losses for both countries, with the majority of tariff costs borne by U.S. consumers and domestic firms. Although the U.S. initially aimed to protect domestic industries and workers, the study found that nearly the entire burden of U.S. import tariffs was shouldered by U.S. importers. These costs were ultimately passed on to consumers through higher prices and to producers through increased input costs. Similarly, China's retaliatory

tariffs negatively impacted U.S. exporters, particularly in the agricultural sector. [14] Stock markets in emerging countries exhibit significant and heterogeneous reactions to various global shocks, including international economic policy uncertainty, geopolitical risks, and financial stress. Study findings indicate that the sensitivity of emerging stock markets to these factors varies across countries and over time, depending on domestic market characteristics and global economic conditions [15].

The hypothesis of this study are:

***H1.*** *There were differences in stock market reactions in Southeast Asian countries before and after Trump's tariff announcement.*
***H2.*** *There is a difference in the reaction of the Indonesian stock market before and after Trump's tariff announcement.*

***H3.*** *There was a difference in the reaction of the Malaysian stock market before and after Trump's tariff announcement.*

***H4.*** *There was a difference in the reaction of the Thai stock market before and after Trump's tariff announcement.*

***H5.*** *There was a difference in the reaction of the Vietnam stock market before and after Trump's tariff announcement.*

***H6.*** *There was a difference in reaction from the Singapore stock market before and after Trump's tariff announcement.*

***H7.*** *There was a difference in the reaction of the Philippines stock market before and after Trump's tariff announcement.*

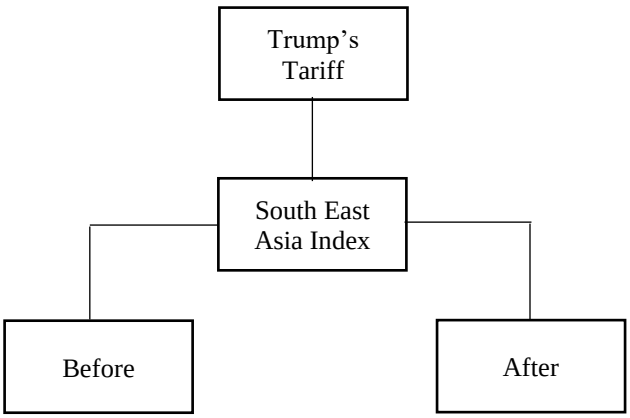


Figure 2. Framework Think Study

## III. METHODOLOGY

Samples used are stock market indices in Southeast Asia, IDX Composite, KLCI, SET Index, PSEi Composite, STI Index, and VN Index. The observation period was from day-5 to day+5 trading days. This period is used to observe market reactions before and after the announcement. This study used the concept of abnormal return (AR),

Abnormal return is the difference between the actual return of a stock and the expected return, if there had been no tariff announcement. [16]

$$AR_{it} = R_{it} - E(R_{it})$$

$AR_{it}$ = abnormal return of security i in event period t
$R_{it}$ = realized return for security i in event period t
$E(R_{it})$ = expected return of security i for event period t

Expected return is a reasonable rate of return consistent with the risk of the asset, without the existence of persistent arbitrage or abnormal return opportunities. [3]

$$E(R_{it}) = \alpha i + \beta i R_{mt}$$

$E(R_{it})$ = Estimate profit share i on day t based on the market.
$\alpha_i$ = Stock return portion i that isn't influenced by the market.
$\beta_i$ = A measure of the sensitivity of stock's i returns to changes in market returns.
$R_{mt}$ = Profit rate market index on day t.

Actual return is the change in price from one trading day to the next[17]

$$R_{it} = P_{it} - P_{it-1} / P_{it-1}$$

$R_{it}$ = return daily asset i on day t.
$P_{it}$ = price asset at the end-day trade t (price closure).
$P_{it-1}$ = price asset i at the end day trading previously (t−1).

Data analysis utilizes method statistics *paired-samples T-Test.* If data's not normal, using a *non-parametric Test*

## IV. FINDINGS AND DISCUSSION

This research aims to determine whether there is a significant abnormal return value in Trump's tariff. The normality test is as in Table II,

Table II Results of Normality Tests

| `Day | Indonesia | Malaysia | Thailand | Vietnam | Singapore | Philippines |
|---|---|---|---|---|---|---|
| - 5 | -0.0195 | 0.0053 | 0.0086 | 0.0075 | 0.0181 | -0.0035 |
| - 4 | -0.0156 | 0.0129 | 0.0019 | 0.0102 | 0.0158 | 0.0027 |
| - 3 | 0.0120 | 0.0094 | -0.0065 | 0.0071 | 0.0180 | -0.0026 |
| - 2 | 0.0373 | 0.0181 | -0.0109 | 0.0038 | 0.0112 | 0.0030 |
| - 1 | 0.0059 | -0.0080 | 0.0125 | 0.0199 | 0.0126 | 0.0071 |
| 0 | -0,0823 | 0,0149 | 0,0080 | 0,0123 | 0,0098 | 0,0125 |
| + 1 | -0.0047 | 0.0014 | -0.0053 | -0.0572 | 0.0105 | -0.0148 |
| + 2 | 0.0468 | -0.0033 | -0.0280 | -0.0038 | -0.0165 | -0.0084 |
| + 3 | 0,0013 | -0.0337 | -0.0420 | -0.0546 | -0.0640 | -0.0422 |
| + 4 | 0,0168 | 0.0063 | 0.0166 | -0.0227 | -0.0068 | 0.0327 |
| + 5 | 0,0106 | -0.0234 | 0.0452 | 0.0774 | -0.0086 | 0.0135 |

*Source: Secondary data processed, 2025*

Table II shows normality data using Shapiro-Wilk Tests, significance that produces a number > 0.05 indicates that the data is normal. Next, the results Process the Paired-Samples T-Test data as in Table III,

Table III Paired-Samples T Test Results

| | Std. Deviation | DF | Sig. (2-tailed) |
|---|---|---|---|
| Indonesia PRE-POST | 0.03222351 | 4 | 0.520 |
| Malaysia PRE-POST | 0.01478983 | 4 | 0.052* |
| Thailand PRE-POST | 0.03199707 | 4 | 0.802 |
| Vietnam PRE-POST | 0.04950355 | 4 | 0.379 |
| Singapore PRE-POST | 0.02918765 | 4 | 0.069** |
| Philippines PRE-POST | 0.02554240 | 4 | 0.676 |

*Source: Secondary data processed, 2025*
** significant at the 5% level*
*** significant at 10% level*

Table III shows the countries that reacted to Trump's tariffs, which are Singapore and Malaysia with significance of 0.069 and 0.052, which have marks significance at the 5% and 10% levels. Indonesia, Thailand, Vietnam, and the Philippines didn't react to Trump's tariffs, with a significance above 10%. This is shown because Singapore and Malaysia are influenced by the policy of the United States, so they react to Trump's tariffs. Meanwhile, Indonesia, Thailand, Vietnam, and the Philippines do have not their free trade agreement (FTA) with the United States.

All Southeast Asian countries exhibited abnormal returns in response to Trump's tariffs, although statistically significant reactions occurred only in Singapore and Malaysia. Result of the Abnormal return calculation as in Table IV,

Table IV Abnormal Return Calculation and Comparison of Southeast Asian Stock Markets

| | Shapiro Wilk | | |
|---|---|---|---|
| | Statistics | DF | Sig. |
| Indonesia PRE | 0.934 | 5 | 0.623 |
| Indonesia POST | 0.898 | 5 | 0.398 |
| Malaysia PRE | 0.943 | 5 | 0.685 |
| Malaysia POST | 0.898 | 5 | 0.401 |
| Thailand PRE | 0.948 | 5 | 0.725 |
| Thailand POST | 0.972 | 5 | 0.889 |
| Vietnam PRE | 0.869 | 5 | 0.264 |
| Vietnam POST | 0.860 | 5 | 0.229 |
| Singapore PRE | 0.882 | 5 | 0.318 |
| Singapore POST | 0.856 | 5 | 0.214 |
| Philippines PRE | 0.918 | 5 | 0.519 |
| Philippines POST | 0.987 | 5 | 0.967 |

*Source: Secondary data processed, 2025*

As shown in Table II, ([Day-5, Day+5] event window), market reactions emerged from Day+1: Indonesia, Thailand, Vietnam, and the Philippines recorded negative abnormal returns, while Singapore and Malaysia showed positive returns. By Day+2, Indonesia reversed to positive; conversely, Singapore and Malaysia reacted negatively. Negative abnormal returns persisted through Day+3 in five markets (Malaysia, Thailand, Vietnam, Singapore, Philippines).

Dennis Arnold, 2006 said that Free Trade Agreements (FTA) play a vital role in the push of regional economic integration and economic growth in the Southeast Asia region with ASEAN as the main axis, although the FTA successfully reduced tariff barriers and facilitated the flow of goods, services, and investment, the study also likely to highlight significant challenges. These include development gaps between member countries, the persistence of non-tariff barriers, and complexity in the implementation and enforcement of agreements. FTA also forms dynamics of geopolitics in Southeast Asia, placing this area as an important key in global supply chains and an arena for the competition of external power influences.[18]

The use of Free Trade Agreements (FTA) by companies in Southeast Asia is heavily influenced by the involvement in exports and imports. Companies that are actively involved in international trade, either as exporters or importers, tend to take more advantage of FTAs to gain tariff advantages or simplify customs procedures. The intensity of export activity relative to

total sales and the intensity of import inputs relative to total inputs play an important role in the use of FTAs.[19]

The FTA agreement shows how important the influence of this agreement is on the economic growth of a country. Singapore and Malaysia, which have FTA agreements with the United States, show the importance of export and import trade and investment in countries that influence the economic growth of Singapore and Malaysia.

## V. CONCLUSION

Trump's tariffs on 2 April 2025, caused a reaction in Southeast Asian stock markets, especially Singapore and Malaysia, which initially reacted positively and then minus on the 2nd day after the announcement. Difference reactions of Malaysia and Singapore with other countries because of the agreement trading free trade agreement (FTA) with the United States. The results of this study found that Trump's tariffs were responded by Southeast Asian stock markets, and there were different reactions of the stock market in each Southeast Asian country, before and after the announcement.

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