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Analysis of the Indonesian Capital Market Reaction to Stock Exchange Regulations as an Impact of the United States Reciprocal Tariff Policy: An Event Study of LQ45 Stocks

Analisis Reaksi Pasar Modal Indonesia terhadap Regulasi Bursa Efek sebagai Dampak Penetapan Tarif Resiprokal Amerika Serikat: Studi Peristiwa Saham LQ45

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Abstrak

Penelitian ini bertujuan untuk menganalisis reaksi pasar modal Indonesia terhadap penetapan regulasi Bursa Efek Indonesia (BEI) dan Otoritas Jasa Keuangan (OJK) sebagai respons atas kebijakan tarif resiprokal oleh Amerika Serikat pada 2 April 2025. Peristiwa tersebut menimbulkan guncangan signifikan di pasar modal, ditandai dengan penurunan tajam indeks LQ45 dan aksi jual investor asing, sehingga memicu diberlakukannya kebijakan darurat berupa penyesuaian auto rejection bawah dan mekanisme trading halt. Penelitian ini menggunakan pendekatan kuantitatif dengan metode event study pada 45 emiten indeks LQ45 selama periode jendela 11 hari (H-5 hingga H+5). Analisis dilakukan melalui pengukuran *Average Abnormal Return* (AAR), *Cumulative Abnormal Return* (CAR), dan *Average Trading Volume Activity* (ATVA) yang diuji menggunakan uji *Wilcoxon Signed Rank Test* karena data tidak berdistribusi normal. Hasil penelitian menunjukkan adanya perbedaan signifikan pada AAR dan CAR sebelum dan sesudah peristiwa, menandakan bahwa regulasi BEI dan OJK memiliki kandungan informasi yang memengaruhi harga saham. Namun, tidak terdapat perbedaan signifikan pada ATVA, sehingga respon pasar lebih tercermin melalui perubahan harga daripada volume perdagangan. Temuan ini mendukung *Signaling Theory* dan *Efficient Market Hypothesis* bentuk semi-kuat, bahwa pasar modal Indonesia cukup responsif terhadap informasi baru dari regulator.
Kata Kunci: Tarif Resiprokal, *Abnormal Return,* dan *Trading Volume Activity*

Abstract

This study aims to analyze the reaction of the Indonesian capital market to the regulations issued by the Indonesia Stock Exchange (IDX) and the Financial Services Authority (OJK) in response to the reciprocal tariff policy imposed by the United States on April 2, 2025. The policy created significant shocks in the capital market, marked by a sharp decline in the LQ45 index and foreign investors' net selling, which triggered the implementation of emergency measures such as adjustments to the lower auto rejection limit and trading halt mechanisms. This research employs a quantitative approach using the event study method on 45 companies listed in the LQ45 index over an 11-day event window (H-5 to H+5). The analysis was conducted by measuring Average Abnormal Return (AAR), Cumulative Abnormal Return (CAR), and Average Trading Volume Activity (ATVA), tested with the Wilcoxon Signed Rank Test since the data were not normally distributed. The results indicate significant differences in AAR and CAR before and after the event, suggesting that the IDX and OJK regulations contained relevant information affecting stock prices. However, no significant difference was found in ATVA, implying that market reactions were more price-driven than volume-driven. These findings support the Signaling Theory and the semi-strong form of the Efficient Market Hypothesis, showing that the Indonesian capital market is responsive to new information provided by regulators.
Keywords: *Reciprocal Tariff, Abnormal Return, and Trading Volume Activity*

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1. Introduction

The capital market is one of the important pillars in the financial system because it functions to allocate funds from parties who have excess funds to parties who need business financing. According to the Financial Services Authority (OJK), the capital market is an activity related to Public Offerings and trading of Securities, Public Companies related to the Securities they issue, as well as institutions and professions related to Securities. Indonesia itself has the Indonesia Stock Exchange (IDX) as the main platform for transactions (Otoritas Jasa Keuangan, 2023). The Indonesian capital market has experienced rapid growth from period to period, as seen from the increasing number of stocks traded and the higher volume of stock trading (Purnamawati, 2015). The capital market is like a traditional market that brings together sellers and buyers who trade various daily necessities (Rahayu & Yuniarta, 2022). The main instrument in the capital market is stocks, which are evidence of equity participation of an individual or entity in a company, providing rights to dividends, claims on assets, and participation in the General Meeting of Shareholders (RUPS) (IDX, 2025). The capital market provides instruments and mechanisms, while investment is the activity of allocating capital into these instruments. Investment is the use of money or other resources currently owned with the expectation of generating profits in the future (Diatmika et al., 2023). Thus, companies with good performance will become targets for investors, which will result in an increase in the market value of their stocks (Purnamawati et al., 2023).

To monitor stock movements, the IDX has 45 indices, one of which is the LQ45 Index, which consists of stocks with high liquidity, large market capitalization, strong financial fundamentals, and active trading (IDX Stock Indonesia, 2021). Stock indices, as explained in the IDX Stock Indonesia Handbook version 1.2 (2021), serve as indicators of market sentiment, the basis for developing passive investment products, portfolio comparison tools, and proxies for measuring risk and investment performance. Therefore, LQ45 is often used as a research object to measure market reactions to economic events because it is considered to represent the general market response. The movement of LQ45 stocks from February to April 2025 can be seen in Figure 1.

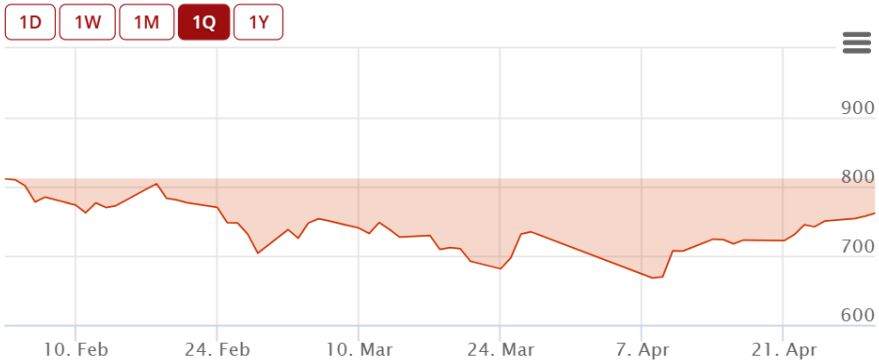

Figure 1.
LQ45 Stock Movement February 2025 – April 2025
(Source: idx.co.id)

At the beginning of February 2025, the LQ45 index started trading above the 800 level. However, from mid-February to early March, the index began to show a gradual downward trend, which occurred simultaneously with the emergence of government policy issues related to export-import tariff adjustments and the implementation of reciprocal tariffs on several trading partner

countries, including the United States and China. By the end of March to early April, the index reached its lowest level, dropping below 700 around the first week of April. Based on the one-year stock movement graph, this decline represents the sharpest drop and the lowest point of stock prices, with a decrease of 7.9%, from 6,510 to 5,996. This decline indicates uncertainty or a significant shock in the capital market. After reaching the lowest point, the index began to recover gradually.

Stock price changes are influenced by two factors based on their origin: internal factors or fundamentals that come from within the company, which can be shown through the company's financial statements, and external factors that come from outside the company and are related to the economy of a country (Sukartaatmadja et al., 2023). Stock prices play a very important role because they can reflect market perceptions of a company's performance and prospects (Astawa et al., 2024). Stock prices on the IDX greatly influence investors' decisions in making their investment choices. Investors need clear information, either individually or in groups. The movement of stock prices requires identification and detailed sources of information (Yuniarta, 2023). One of the external factors that affect the rise and fall of stock prices is government policy (Wardhani et al., 2023).

Tariff policy is one of the important instruments in international trade, including reciprocal tariffs, which means a country sets import tariffs equivalent to the tariffs imposed by its trading partner on its exports. The purpose of this policy is to create equality in trade relations and encourage fair negotiations. According to *Encyclopedia Britannica*, the principle of reciprocity in international trade refers to the granting of mutual concessions in tariffs, quotas, or other commercial restrictions to create trade relations considered fair by each party. This type of reciprocal tariff policy was enacted by U.S. President Donald Trump on April 2, 2025, by setting a base import tariff of 10% for all goods, plus higher tariffs for countries with significant trade deficits with the U.S., including Indonesia, which was subjected to tariffs of up to 32% (Antara News, 2025; Kompas, 2025). The implementation of this tariff made Indonesian exports to the U.S. more expensive, potentially pressuring labor-intensive sectors such as textiles, footwear, and furniture, while also impacting the national trade balance and capital market, potentially affecting economic growth and portfolio investment.

The Indonesian capital market is very sensitive to global shocks (Devi et al., 2020). The reaction of the Indonesian capital market generally shows significant fluctuations when events occur related to government policies or global dynamics, as investor sentiment quickly changes according to perceived risk and economic prospects. This sensitivity is clearly seen in the significant decline in stock returns and company financial performance (Devi et al., 2023). Research by Indriani and Mariani (2021) proved that the enactment of the Omnibus Law on Job Creation caused a market reaction in the form of significant differences in Abnormal Return and stock price variability, showing the responsiveness of the capital market to national-scale events. An increase in the IHSG (Composite Stock Price Index) indicates a conducive market condition, and conversely, if the IHSG decreases, it indicates a less conducive market condition (Purnamawati & Werastuti, 2023). A similar situation occurred when U.S. President Donald Trump announced the reciprocal tariff policy, which caused the IHSG on April 8, 2025, to plunge 7.9%, from 6,510 to 5,996, and even briefly fall more than 9%, accompanied by a net sell by foreign investors of IDR 3.87 trillion, causing a temporary suspension of trading (*trading halt*) for 30 minutes (kabarbursa.com; bloombergtechnoz.com).

This condition prompted economists and the government to maintain fair, orderly, and efficient securities trading through regulatory adjustments by the IDX and OJK, including the IDX Board of Directors Decrees No. Kep-00002/BEI/04-2025 and Kep-00003/BEI/04-2025, which

regulate guidelines for handling trading in emergency conditions, including adjustments to the lower auto-rejection limit to 15% for stocks on all trading boards and changes to trading halt provisions, effective April 8, 2025.

The mechanism for handling IHSG declines is carried out in stages. If the IHSG falls by more than 8% in one trading day, the IDX will conduct a 30-minute trading halt. If the decline continues to more than 15% on the same day, the exchange will again halt trading for 30 minutes. Meanwhile, if the IHSG plunges more than 20%, a trading suspendwill be applied, halting trading until the end of the session or even more than one session with OJK approval.

The economic crises occurring in many countries must be faced as a challenge to make internal changes within companies to deal with external factors that could disrupt business activities (Adiputra et al., 2021). Adjustments to the lower auto-rejection percentage and temporary suspension of securities trading by the IDX are aimed at maintaining market volatility while protecting investors by providing broader liquidity space to respond to available information. These emergency policies show that the Indonesian capital market regulators, namely the IDX and OJK, are responsive and adaptive to global dynamics, so regulations function as market stabilization instruments, not merely passive rules (*idx.co.id*). This is in line with the views of Kusumayanti and Suarjaya (2018), who quote Mayo (2016), stating that political information will be quickly captured by market participants to develop investment strategies, and Zubir (2013), who emphasizes that political, security, and economic instability increase investment risk due to the uncertainty of investment returns.

Based on signaling theory, information about global events affecting the economy, especially the stock exchange, should be reflected in stock price movements. Therefore, it is important to examine the impact of reciprocal tariff policies on LQ45 blue-chip stocks, considering the limited research that examines the combination of international policies and domestic regulatory responses to short-term stock price dynamics.

The benchmark of this study is Abnormal Return (AR) using event study as the analysis tool. If an announcement is considered relevant, the market will respond by generating an Abnormal Return on the affected stocks, while if it is not, no significant change in stock returns will occur (Hartono, 2017). In addition to Abnormal Return, event studies are also used to analyze Trading Volume Activity (TVA) (Farisi & Nuzula, 2019). This analysis can be expanded by calculating Cumulative Abnormal Return (CAR), which is the accumulation of Abnormal Returns during the event period (Hartono, 2017). This is in accordance with Tandelilin (2010) and Brigham & Daves (2021), who state that market reactions to new information are reflected in changes in prices and trading volume, and market efficiency requires stock prices to reflect information quickly.

Several previous studies have proven the reliability of the event study method in analyzing economic and political events. Farisi and Nuzula (2019) found significant changes in returns and trading volume after the Biodiesel 20 (B20) policy. Diniar and Kiryanto (2015) showed the impact of President Jokowi's election on stock movements. Siswantoro (2020) also proved there were significant differences in stock prices before and after the announcement of the first Covid-19 case in Indonesia, in line with Liu's (2020) research, which found that Covid-19 had a negative impact on the global stock market. However, Sambuari et al. (2020) and Herlina et al. (2024) showed different results, stating that Covid-19 did not have a significant effect on Abnormal Return in Indonesia or the Southeast Asian region.

The implementation of reciprocal tariffs by U.S. President Donald Trump on April 2, 2025, is a protectionist policy that creates uncertainty in international trade (*antaranews.com*). This is in line with Matondang et al. (2024), who state that protectionism tends to reduce trade volume. The

impact of this policy on Indonesia is very significant because it increases risks in trade relations with the U.S. Almost simultaneously, the Indonesia Stock Exchange (IDX) and OJK implemented emergency regulations on April 8, 2025, in response to this external pressure. The combination of aggressive global policies and reactive domestic regulations creates a crisis condition that is significant to analyze, especially concerning LQ45 stocks, which are liquid and represent blue-chip stocks. The event study method is relevant for analyzing the impact of this event, given its ability to evaluate the effect of an event on stock prices (Samsul, 2015; Bodie, Marcus, & Kane in Manurung & Ira, 2007; Henderson, 1990 in Manurung & Ira, 2007). By measuring reactions through AR, CAR, and TVA, this study seeks to provide an empirical overview of how efficient and responsive the Indonesian capital market is to global events and how domestic regulatory interventions can mitigate market pressures in real-time. Therefore, this study is titled: "Analysis of the Indonesian Capital Market Reaction to the Implementation of Regulations in the Indonesia Stock Exchange as an Effect of the United States Reciprocal Tariff Policy."

2. Methods

This study uses a quantitative approach with an event study design to analyze the capital market's reaction to the IDX regulation announcement related to the implementation of reciprocal tariffs on April 8, 2025. Secondary data, consisting of daily stock prices, trading volumes, and the LQ45 index, were obtained from the official website of the Indonesia Stock Exchange.

The study population includes all 45 issuers listed in the LQ45 index during the February–April 2025 period. A census sampling technique (saturated sample) was applied, in which the entire population was used as the sample. The observation period was set to 11 trading days, covering five days before (H-5) to five days after (H+5) the announcement date, to anticipate the possibility of information leakage or lagged market reaction.

Data analysis was conducted by calculating Abnormal Return (AR), Cumulative Abnormal Return (CAR), and Trading Volume Activity (TVA) for each issuer. The calculation results were then averaged to obtain Average Abnormal Return (AAR), Average Cumulative Abnormal Return (ACAR), and Average Trading Volume Activity (ATVA).

Descriptive statistical analysis was used to describe the characteristics of the data, while hypothesis testing was carried out using a Paired Sample t-Test if the data were normally distributed, or the Wilcoxon Signed Rank Test if the data were not normally distributed. These tests were used to determine whether there were significant differences in AR, CAR, and TVA values between the periods before and after the announcement of the regulation, thereby providing an overview of investor reactions to the announced policy.

3. Results and Discussion

Descriptive Statistical Analysis

Descriptive statistical analysis was carried out to provide an overview of the data characteristics before further testing. Through this analysis, the mean, standard deviation, minimum, and maximum values of each variable studied were identified. These descriptive results are important to understand data distribution, observe central tendencies, and identify variations within the data, serving as a foundation for interpreting subsequent statistical test results.

Table 1. Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Mean	Std. Deviation
AAR Before	45	-0.03486	0.70219	0.0155109	0.10522283
AAR After	45	-0.02213	0.89970	0.0360818	0.13239730
CAR Before	45	-0.17429	3.51096	0.0775527	0.52611590
CAR After	45	-0.11065	4.49850	0.1804113	0.66198602
ATVA Before	45	0.00025	0.01263	0.0020691	0.00238190
ATVA After	45	0.00035	0.01494	0.0023269	0.00272600

(Source: Processed Data, 2025)

Based on the descriptive analysis of Average Abnormal Return (AAR), before the announcement of regulations by the IDX and OJK, the minimum value was -0.03486 and the maximum value was 0.70219, with a mean of 0.0155109. This indicates a tendency for positive abnormal returns during the pre-event period. After the announcement, the mean AAR increased to 0.0360818, with a minimum value of -0.02213 and a maximum of 0.89970. This increase suggests that the market reacted positively to the announced policy. However, the standard deviation rose from 0.10522283 to 0.13239730, indicating greater fluctuation in LQ45 stocks.

The results of the Cumulative Abnormal Return (CAR) analysis showed a similar pattern. Before the event, the mean CAR was 0.0775527, with a minimum value of -0.17429 and a maximum of 3.51096. After the event, the mean CAR increased to 0.1804113, with a range from -0.11065 to 4.49850. This increase confirms the presence of higher accumulated abnormal returns following the regulation announcement. However, the standard deviation rose from 0.52611590 to 0.66198602, suggesting a wider variation, possibly due to different investor responses to the policy.

Meanwhile, the Average Trading Volume Activity (ATVA) showed only a slight increase. Before the event, the mean ATVA was 0.0020691, with a minimum value of 0.00025 and a maximum of 0.01263. After the regulation announcement, the mean ATVA rose slightly to 0.0023269, with a range from 0.00035 to 0.01494. Although there was an increase, the change was relatively small compared to AAR and CAR. The increase in the standard deviation from 0.00238190 to 0.00272600 indicates that trading activity became slightly more volatile, but still remained at a low level, showing no significant surge in trading volume.

Normality Test

The normality test is an important preliminary step to determine the appropriate statistical method for hypothesis testing. This study used the Shapiro-Wilk test because the sample size was less than 50. The variables tested were AAR, CAR, and ATVA for both the pre-event and post-event periods related to the IDX and OJK regulation announcement on April 8, 2025.

Table 2. Normality Test

Variable	Period	Statistic	df	Sig.	Description
AAR	Before	0.207	45	<0.001	Not Normal
AAR	After	0.214	45	<0.001	Not Normal
CAR	Before	0.207	45	<0.001	Not Normal
CAR	After	0.214	45	<0.001	Not Normal
ATVA	Before	0.624	45	<0.001	Not Normal
ATVA	After	0.643	45	<0.001	Not Normal

(Source: Processed Data, 2025)

The results show that all significance (Sig.) values for the three variables, both before and after the event, were <0.001, which is less than 0.05. This indicates that the data for AAR, CAR, and ATVA are not normally distributed. Therefore, a parametric test such as the Paired Sample t-Test cannot be used. Instead, the Wilcoxon Signed Rank Test, a non-parametric method, was employed to test the hypotheses. This approach ensures more valid results that align with the actual data distribution.

Hypothesis Testing

Hypothesis testing was conducted to determine whether there were significant differences in AAR, CAR, and ATVAbefore and after the regulation announcement by the IDX and OJK. Since the data were not normally distributed, as shown in the normality test, the Wilcoxon Signed Rank Test was used. This test aims to identify whether there was a capital market reaction, as reflected by changes in these variables, for stocks included in the LQ45 index.

Table 3. Wilcoxon Signed Rank Test

Variable	Total N	Test Statistic	Standard Error	Standardized Test Statistic	Asymptotic Sig. (2-sided)
AAR	45	955.000	88.593	4.938	<0.001
CAR	45	955.000	88.593	4.938	<0.001
ATVA	45	609.500	88.586	1.039	0.299

(Source: Processed Data, 2025)

The Wilcoxon Signed Rank Test results for AAR show a significance value of <0.001, which is less than 0.05. This indicates a significant difference in AAR before and after the regulation announcement, thus accepting the first hypothesis (H1). This suggests that the regulation announcement contained information that influenced the returns of LQ45 stocks. Investors reacted by adjusting their trading strategies, as reflected by changes in abnormal returns. This finding aligns with signaling theory, which posits that regulatory policies can serve as important signals for investment decisions.

Similarly, the results for CAR also showed a significance value of <0.001, indicating a significant difference between pre-event and post-event CAR. Therefore, the second hypothesis (H2) is accepted. This demonstrates that market reactions were not limited to a single trading day, but instead accumulated over the event window. Investors interpreted the regulatory announcement as a factor influencing investment prospects and risks, leading to increased cumulative abnormal returns. This is consistent with signaling theory, where market policy information is considered critical by investors in assessing future market direction.

In contrast, the Wilcoxon test results for ATVA produced a significance value of 0.299, which is greater than 0.05. This indicates no significant difference in trading volume activity before and after the event, thus rejecting the third hypothesis (H3). While stock prices reacted significantly to the regulation, trading volume remained relatively stable. This could be due to mechanisms such as auto-rejection or trading halts imposed by the IDX, which prevent drastic surges in trading volume. Therefore, the market reaction to the regulation was reflected more in price changes (returns)rather than trading activity levels.

Discussion

Differences in Average Abnormal Return Before and After the Regulation Announcement by IDX and OJK

Based on the results of the Wilcoxon Signed Rank Test presented in Table 4.8, the Asymptotic Sig. (2-sided) value obtained is <0.001. This value is smaller than the significance level of 0.05, indicating a significant difference between the Average Abnormal Return (AAR) before and after the regulation announcement by the Indonesia Stock Exchange (IDX) and the Financial Services Authority (OJK). Therefore, Hypothesis I (H_1) is accepted. The results indicate that the Indonesian capital market responded significantly to the policy issued by IDX and OJK. The significant difference in AAR demonstrates an investor reaction to the information content of the regulation. According to Signaling Theory (Spence, 1973; Connelly et al., 2011), an announcement or policy issued by an authority can serve as a signal influencing market perceptions of investment prospects. In this context, the regulation announced by IDX and OJK acts as an important signal that drives changes in the abnormal returns of LQ45 stocks.

Practically, this result reflects that some investors view the regulation announcement as relevant information in making investment decisions, whether through a sell-off as a negative reaction or buying as a future profitable opportunity. This finding is in line with Nugraha and Suroto (2019), who found a significant difference in AAR of LQ45 stocks around national political events, and Sari et al. (2023), who confirmed that global events and government policies could significantly affect stock returns in the Indonesian capital market. Thus, it can be concluded that the regulation announcement by IDX and OJK contained strong information content that influenced stock prices in the Indonesian capital market, particularly among LQ45 issuers, which are the primary indicators of index movement.

Differences in Average Cumulative Abnormal Return Before and After the Regulation Announcement by IDX and OJK

Based on the results of the Wilcoxon Signed Rank Test presented in Table 4.9, the Asymptotic Sig. (2-sided) value obtained is <0.001. This value is smaller than the significance level of 0.05, indicating a significant difference in the Average Cumulative Abnormal Return (ACAR) before and after the regulation announcement by the Indonesia Stock Exchange (IDX) and the Financial Services Authority (OJK). Therefore, Hypothesis II (H_2) is accepted. This result reinforces the earlier AAR findings, indicating that the capital market reacted significantly to the announced policy. The significant difference in ACAR shows that the regulation's impact not only affected stock returns on a single day but also had a cumulative effect during the event window period. According to Signaling Theory (Spence, 1973; Scott, 2012), strong and credible signals can influence investor behavior not only immediately but also in the following days as the market adjusts its expectations.

In the context of this study, the significant changes in ACAR indicate that the regulation announced by IDX and OJK is perceived to have fundamental consequences for firm value, leading investors to gradually adjust their portfolios. This finding is consistent with Sari et al. (2023), who found that geopolitical events and government policies significantly affect cumulative abnormal returns in the Indonesian capital market, and Rahayu et al. (2024), who showed that the COVID-19 pandemic caused significant changes in CAR across various sectors. Thus, the significant difference in ACAR in this study demonstrates that the regulation announcement had not only a short-term impact but also a lasting effect throughout the observation period, reflecting a deep market reaction to the information contained in the policy.

Differences in Average Trading Volume Activity Before and After the Regulation Announcement by IDX and OJK

Based on the results of the Wilcoxon Signed Rank Test presented in Table 4.10, the Asymptotic Sig. (2-sided) value obtained is 0.299. This value is greater than the significance level of 0.05, indicating that there is no significant difference in the Average Trading Volume Activity (ATVA) before and after the regulation announcement by the Indonesia Stock Exchange (IDX) and the Financial Services Authority (OJK). Therefore, Hypothesis III (H_3) is rejected. These findings are consistent with the semi-strong form of the Efficient Market Hypothesis (EMH), which states that the market quickly integrates new information into stock prices, and the Adaptive Market Hypothesis, which explains that market participants may adjust prices first before making significant changes in trading volume.

Overall, this study's findings indicate that the regulation announcement by IDX and OJK triggered a market reaction reflected in changes in stock prices (AAR and ACAR) but was not accompanied by significant changes in trading activity (ATVA). This confirms that the Indonesian capital market, particularly LQ45 stocks, is responsive to policies with important information content, but the response is more evident through price adjustments than through increased transaction volume. During the event period, there were market microstructure restrictions such as lower auto-rejection limits (ARB) and trading halt mechanisms. These rules limit trading time and frequency, preventing volume spikes but not hindering price adjustments. As a result, stock prices experienced significant changes (as reflected in AAR and ACAR), while trading volume remained relatively stable.

For investors, these findings provide strategic implications. The rapid price reaction suggests that the opportunity to achieve abnormal gains after the event is relatively narrow, meaning investment decisions must be made by monitoring information and policy signals in real time. Meanwhile, the stable trading volume indicates that price changes are not always accompanied by liquidity surges, meaning investors should also consider market depth and potential widening bid-ask spreads during event periods. From a regulatory perspective, these results imply that policies issued can influence market perceptions of asset value but do not necessarily lead to large-scale changes in investor trading behavior. Therefore, to achieve market stability, such policies should be complemented with efforts to improve capital market literacy and expand information dissemination mechanisms so that the signals provided not only influence prices but also encourage healthy and sustainable trading participation.

5. Conclusion

Based on the analysis and discussion, it can be concluded that the regulation issued by the Indonesia Stock Exchange (IDX) and the Financial Services Authority (OJK) has a significant impact on market reactions for stocks included in the LQ45 index. This is reflected in the significant differences in Average Abnormal Return (AAR) and Average Cumulative Abnormal Return (ACAR) between the periods before and after the event. These findings indicate that the market perceives the policy as containing relevant information, thereby triggering stock price adjustments. However, this study also found no significant difference in Average Trading Volume Activity (ATVA) between the periods before and after the event. This suggests that, although there were significant changes in stock prices, trading activity remained relatively stable. Thus, investors' responses to this event were more value-driven (price-based) rather than volume-driven (trade intensity-based). Overall, the results of this study support Signaling Theory, which states that important information from internal parties or regulators can influence market perceptions, and

align with the semi-strong form of the Efficient Market Hypothesis (EMH), which asserts that the market quickly integrates new information into asset prices.

Based on the research limitations, several recommendations are provided. For future researchers, it is suggested to use a longer event window period, such as 10 or 15 days before and after the event, to better capture gradual market reactions. Variations in abnormal return calculation models, such as the market model or Capital Asset Pricing Model (CAPM), should also be considered to generate more comprehensive results. For investors, it is recommended to closely monitor market-affecting events, particularly policies issued by regulators like IDX and OJK. Given that this study found price changes to be more dominant than volume fluctuations, short-term strategies should focus on price analysis and technical trends rather than relying solely on sudden volume spikes. For regulators, policies should be disseminated quickly and evenly to ensure efficient market responses, while maintaining information transparency to reduce information asymmetry and prevent excessive price volatility. Lastly, for capital market practitioners such as investment managers, analysts, and traders, these findings can guide strategic adjustments by emphasizing fundamental and technical analysis, combined with policy monitoring, as effective tools for informed investment decision-making.

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