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ANALYSIS OF GLOBAL SENTIMENT AND TRADE POLICY SHOCKS IN INDONESIA'S STOCK MARKET

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Abstract

The capital market plays an important role in supporting the economy through its intermediation function and serves as an indicator of investor confidence in economic conditions. In Indonesia, JCI reflects capital market performance, which is influenced not only by domestic factors but also by global dynamics, such as international market volatility, the performance of the United States stock market, global trade sentiment, and international trade policies. This study aims to analyze the effects of the VIX index, global gold prices, the DJIA, the S&P 500, Google Trends data related to trade war issues, and United States import tariff policy on JCI. The study employs a quantitative approach based on secondary data using time-series regression during the period from January 2021 to December 2025. The data were obtained from various official sources. The results indicate that JCI movements are significantly influenced by global market volatility, the performance of the United States stock market, digital-based global trade sentiment, and changes in United States import tariff policy, while global gold prices do not have a significant effect. These findings indicate the transmission of global dynamics to the Indonesian stock market through international financial market integration and investor sentiment channels.

Kata Kunci:

Guncangan Kebijakan Perdagangan;
IHSG;
Sentimen Digital;
Volatilitas Pasar Global;

Abstrak

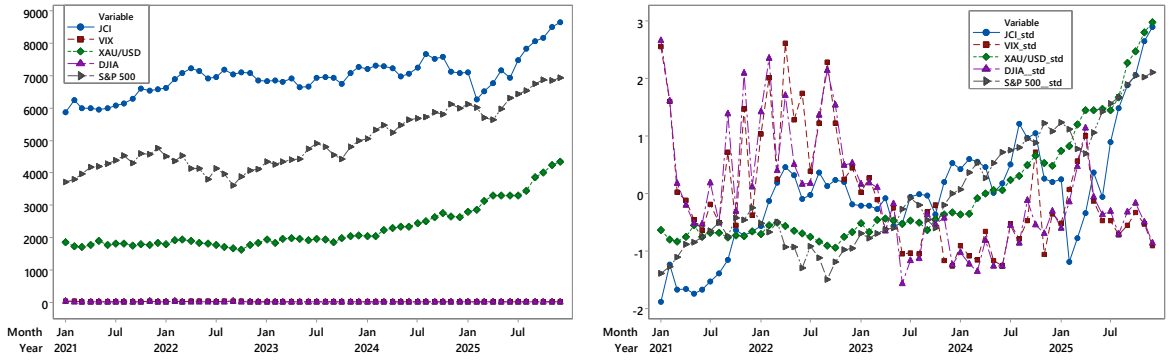
Pasar modal memainkan peran penting dalam mendukung perekonomian melalui fungsi intermediasi serta menjadi indikator kepercayaan investor terhadap kondisi ekonomi. Di Indonesia, IHSG mencerminkan kinerja pasar modal yang tidak hanya dipengaruhi faktor domestik, tetapi juga dinamika global, seperti volatilitas pasar internasional, kinerja pasar saham Amerika Serikat, sentimen perdagangan global, dan kebijakan perdagangan internasional. Penelitian ini bertujuan menganalisis pengaruh indeks VIX, harga emas global, DJIA, S&P 500, data Google Trends terkait isu perang dagang, serta kebijakan tarif impor Amerika Serikat terhadap IHSG. Penelitian menggunakan pendekatan kuantitatif berbasis data sekunder dengan metode regresi time series selama Januari 2021 hingga Desember 2025. Data diperoleh dari berbagai sumber resmi. Hasil penelitian menunjukkan bahwa pergerakan IHSG secara signifikan dipengaruhi oleh volatilitas pasar global, kinerja pasar saham Amerika Serikat, sentimen perdagangan global berbasis digital, serta perubahan kebijakan tarif impor Amerika Serikat, sedangkan harga emas global tidak berpengaruh signifikan. Temuan ini menunjukkan adanya transmisi dinamika global ke pasar saham Indonesia melalui integrasi pasar keuangan internasional dan saluran sentimen investor.

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INTRODUCTION

The capital market plays a strategic role in supporting economic growth by functioning as an intermediation mechanism between surplus units and deficit units (Liu et al., 2025). In Indonesia, the Jakarta Composite Index (JCI) serves as the primary benchmark reflecting capital market performance and investor confidence in the stability of the national economy. However, the dynamics of the JCI have become increasingly complex amid the intensification of global financial integration, rapid technological development, geopolitical tensions, and the growing interconnectedness of international financial markets (Parashar et al., 2026). The increasing openness of Indonesia's economy has amplified the vulnerability of the domestic capital market to external shocks originating from major economies, particularly the United States. Consequently, fluctuations in global sentiment, monetary policy expectations, trade conflicts, and international financial volatility are rapidly transmitted into the Indonesian stock market through international capital transmission mechanisms, portfolio reallocation, and investor sentiment channels (Ullah & Nobanee, 2025). This phenomenon became particularly evident during the post-pandemic economic recovery period, which was characterized by aggressive monetary tightening by the Federal Reserve, escalating geopolitical conflicts, supply chain disruptions, and the resurgence of protectionist trade policies that generated substantial turbulence across global financial markets. Such conditions indicate that the Indonesian capital market is no longer influenced solely by domestic macroeconomic fundamentals, but is increasingly shaped by multidimensional global uncertainty and external policy-related shocks. Figure 1 illustrates the movement of the JCI alongside several global sentiment indicators during the observation period, demonstrating that fluctuations in the Indonesian stock market tend to coincide with changes in global uncertainty, commodity prices, international stock indices, and investor attention dynamics.



Source: Processed Research Data, 2026

Figure 1. JCI Time Series and Standardized Plots with Global Sentiment Indicators

From a theoretical perspective, the transmission of global sentiment to emerging capital markets may be explained through the perspectives of Behavioral Finance, Financial Contagion Theory, and international market integration (Maurya et al., 2025). Behavioral Finance argues that investors do not always behave rationally when responding to uncertainty and external information, thereby causing excessive market reactions and volatility spillovers across financial markets. In highly integrated markets, shocks originating from major economies may rapidly spread to emerging economies through information transmission and international capital flows (Molina-Muñoz & Soriano-Felipe, 2026). Existing empirical studies further indicate that global sentiment has become one of the most influential determinants of stock market movements in emerging economies (Meher & Mishra, 2026). The VIX index, commonly referred to as the "fear index," is widely utilized as a proxy for global uncertainty and investor risk perception. Previous studies reveal that increases in the VIX index significantly influence regional capital market integration and stock market volatility, including in Indonesia (Listiana & Robiyanto, 2021) (Salim et al., 2024). During periods of elevated uncertainty, investors generally reduce

exposure to risky assets in emerging markets and shift their portfolios toward safer instruments, thereby exerting downward pressure on stock market indices. In addition, global gold prices are frequently regarded as safe-haven assets that strengthen during periods of financial turbulence and economic instability. Rising gold prices often indicate a flight-to-safety phenomenon among investors, which may negatively affect stock market performance, including the JCI (Renaldo et al., 2024). Gold also functions as a hedging and safe-haven instrument during financial crises and periods of market instability (Akhtaruzzaman et al., 2021). Alongside commodity markets, major United States stock indices such as the Dow Jones Industrial Average (DJIA) and the S&P 500 index also play a critical role in shaping global investor sentiment. As representations of the world's largest financial market, movements in these indices are often transmitted to emerging markets through international financial integration and cross-border capital flows (Lazuardi & Adlan, 2025) (Adjadad & Ginting, 2025). Empirical findings further confirm that both the DJIA and S&P 500 indices significantly influence stock market movements in emerging economies through spillover effects and information transmission mechanisms (Goel et al., 2025) (Kasraoui et al., 2025). The increasing synchronization between the U.S. and Indonesian capital markets reflects the growing interconnectedness of global financial systems, where optimism or pessimism in developed markets can rapidly influence investment behavior in emerging economies.

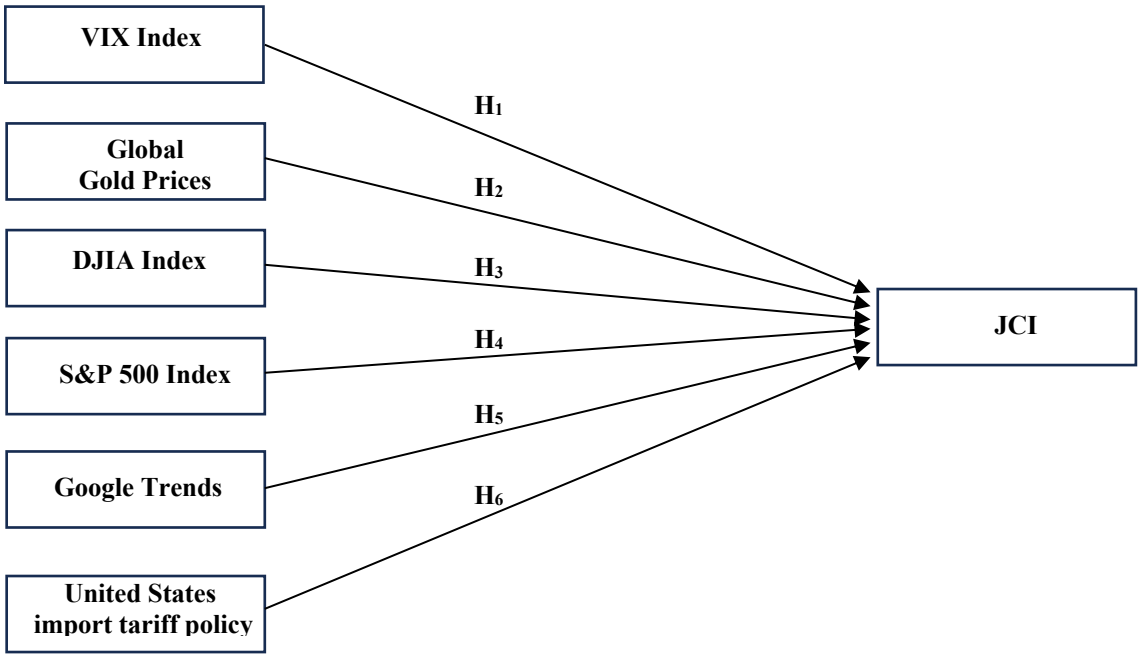
Beyond conventional financial indicators, technological advancement and digitalization have fundamentally transformed the mechanism through which investors process information and respond to market uncertainty (Hao et al., 2025). The emergence of big data analytics and online search activity has enabled researchers to capture investor sentiment in real time using alternative data sources such as Google Trends. Prior studies demonstrate that Google Trends effectively reflects public attention, investor anxiety, and market expectations regarding economic and political events, thereby contributing to the explanation of stock market volatility and return dynamics (Salisu et al., 2021). Nevertheless, previous findings regarding digital sentiment and stock market behavior remain inconclusive, particularly in emerging markets characterized by relatively high volatility and heterogeneous investor behavior. At the same time, global trade policy uncertainty has intensified due to the resurgence of protectionist policies, particularly those implemented by the United States. Import tariff policies imposed on major trading partners have generated disruptions in global supply chains, increased international market uncertainty, and triggered spillover effects across emerging financial markets (Nishimura & Sun, 2025) (Vuong et al., 2022). Although previous studies have separately examined the influence of global uncertainty, safe-haven assets, U.S. stock market performance, digital sentiment, and trade policy uncertainty on stock market dynamics, the existing literature remains fragmented and predominantly focuses on individual relationships rather than integrated multidimensional interactions. Furthermore, limited studies have simultaneously incorporated financial market uncertainty, digital investor sentiment, and U.S. import tariff policy within a unified empirical framework, particularly during the post-pandemic period characterized by heightened global instability and increasing protectionism. This limitation creates an important research gap because the interaction between global uncertainty, investor sentiment, digital attention, and trade policy shocks may generate complex transmission mechanisms affecting stock market performance in emerging economies such as Indonesia.

Therefore, this study aims to analyze the integrated effects of the VIX index, global gold prices, the DJIA index, the S&P 500 index, Google Trends-based digital sentiment, and U.S. import tariff policy on the JCI. By combining conventional financial indicators with digital sentiment and trade policy variables, this study offers a more comprehensive perspective on the determinants of stock market fluctuations in emerging economies. Unlike prior studies that mainly examine these variables independently, this research develops an integrated framework capable of capturing multidimensional global uncertainty transmission into the Indonesian capital market during the post-pandemic economic recovery period. The findings are expected to contribute to the development of Behavioral Finance, international financial integration, and market microstructure literature, while also providing practical implications for investors and policymakers in understanding the vulnerability and resilience of Indonesia's capital market amid increasingly uncertain global economic conditions.

Based on the theoretical framework, empirical findings, and research gaps discussed above, this study proposes that global uncertainty indicators, international financial market performance, digital investor sentiment, and U.S. trade policy uncertainty play significant roles in influencing the dynamics of the JCI. Accordingly, the following hypotheses are formulated to examine the relationships between the proposed variables and the JCI:

H_1: The VIX index significantly affects the JCI
H_2: Global gold prices significantly affect the JCI
H_3: The DJIA index significantly affects the JCI
H_4: The S&P 500 index significantly affects the JCI
H_5: Google Trends significantly affects the JCI
H_6: U.S. import tariff policy significantly affects the JCI.

These hypotheses provide the basis for developing the conceptual framework of the study. The framework integrates global uncertainty, international financial market performance, digital investor sentiment, and U.S. trade policy shocks as potential determinants of JCI movements. To provide a clearer overview of the proposed relationships among the research variables, Figure 2 illustrates the conceptual framework of this study, highlighting the relationships between global market indicators, digital trade sentiment, U.S. trade policy shocks, and the JCI.



Source: Developed by the Researcher Based on Theoretical Foundations and Previous Studies, 2026

Figure 2. Research Conceptual Framework

RESEARCH METHOD

This study employs a quantitative approach using secondary data to examine the impact of global sentiment and U.S. import tariff policy on the JCI. The population includes all JCI trading data listed on the Indonesia Stock Exchange, along with relevant global indicators, namely the VIX index, global gold prices, the DJIA index, the S&P 500 index, and Google Trends data on the topic of trade war. In addition, the study incorporates the 19 percent U.S. import tariff policy officially implemented in August 2025 as a policy variable. The sampling technique applied is purposive sampling (Islam et al., 2024) with the following criteria: (1) complete data availability for the JCI and all independent variables; (2) an observation period from January 2021 to December 2025; and (3) clearly documented

announcement and implementation dates of the 19 percent U.S. import tariff. Based on these criteria, the final sample consists of time-series observations representing Indonesia's stock market response to global dynamics.

Data were collected from official and credible sources. VIX index data were obtained from the Chicago Board Options Exchange, global gold prices from the World Gold Council, DJIA index and S&P 500 index data from Yahoo Finance, and search intensity data from Google Trends. JCI data were retrieved from the Indonesia Stock Exchange. Information regarding the 19 percent U.S. import tariff policy was sourced from official releases of the United States International Trade Commission and the Office of the United States Trade Representative. All datasets were verified, standardized in format and frequency, and prepared for time-series analysis.

The dependent variable in this study is JCI, which represents the overall performance of the Indonesian stock market. The JCI is measured based on its daily closing index value during the observation period. The independent variables consist of the VIX index, global gold prices, the DJIA index, the S&P 500 index, Google Trends data related to trade war issues, and U.S. import tariff policy. The VIX index is measured based on its daily index value and represents expected stock market volatility and global market uncertainty. Global gold prices are measured based on the international gold price per troy ounce. The DJIA and S&P 500 are measured based on their respective daily closing index values, representing the performance of the U.S. stock market. Google Trends is measured using the search interest index for trade war-related topics, with values ranging from 0 to 100, where higher values indicate greater search interest. Meanwhile, U.S. import tariff policy is measured using a dummy variable, with a value of 0 representing the period before the implementation of the 19 percent U.S. import tariff and a value of 1 representing the period after its implementation in August 2025.

Data analysis was conducted in two stages. First, descriptive analysis was performed to examine the characteristics of each variable using time series plots and descriptive statistics to identify trends, fluctuations, and volatility patterns. Second, time series regression analysis was applied to test the simultaneous effects of global sentiment indicators and U.S. import tariff policy on the JCI. The regression model is specified as follows.

$$JCI_t = a + \beta_1 VIX_t + \beta_2 GOLD_t + \beta_3 DJIA_t + \beta_4 S\&P500_t + \beta_5 GT_t + \beta_6 TARIFF_t + \varepsilon_t \ldots\ldots\ldots\ldots\ldots (1)$$

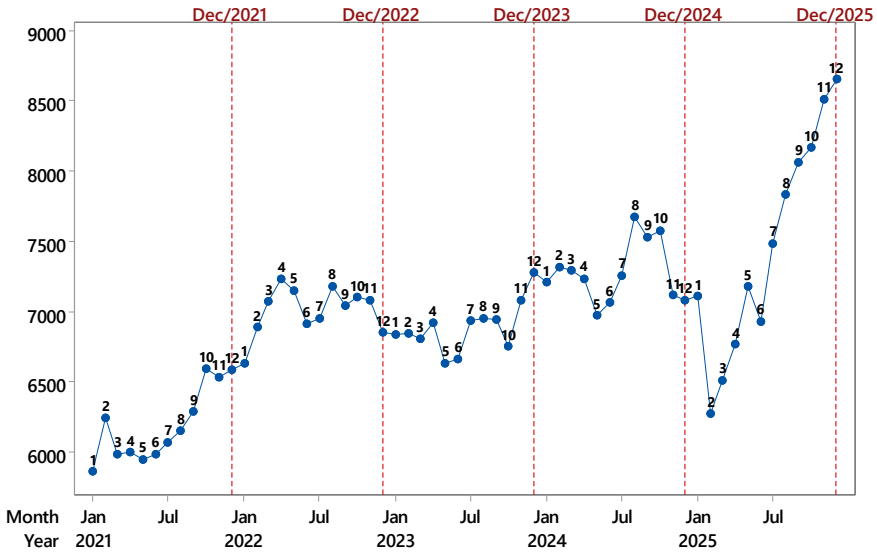
where:

JCI_t	=	JCI at time t
$\mathrm{VIX_t}$	=	VIX index at time t
$\mathrm{GOLD_t}$	=	Global gold price at time t
$\mathrm{DJIA_t}$	=	DJIA index at time t
$\mathrm{S\&P500_t}$	=	S&P 500 index at time t
$\mathrm{GT_t}$	=	Google Trends index on trade war
$TARIFF_t$	=	Dummy variable for the U.S. import tariff policy, where 0 indicates the period before the implementation of the 19 percent tariff and 1 indicates the period after the implementation in August 2025
ε_t	=	error term.

Classical assumption tests were conducted, including multicollinearity (Deng et al., 2025), autocorrelation (X. Liu et al., 2025), heteroskedasticity (Awariefe & Ogbereyivwe, 2024), and normality (Susila, 2022b). The significance of independent variables was examined using the t-test (Susila, 2022a). The regression results were interpreted comprehensively to explain the sensitivity of the JCI to global sentiment dynamics and international trade policy, particularly the 19 percent U.S. import tariff implemented in August 2025 within a time-series framework.

RESULTS AND DISCUSSION

Descriptive analysis was conducted to provide a preliminary overview of the research data characteristics prior to empirical testing of the impact of global sentiment integration on the JCI. This stage focuses on data presentation through time-series plots and descriptive statistics. The monthly JCI time series for the period January 2021–December 2024 exhibits a fluctuating pattern with a generally upward long-term trend, accompanied by varying levels of volatility across periods. During 2021–2022, the JCI experienced gradual strengthening, reflecting market recovery. This was followed by a relatively sideways movement throughout 2023, indicating increased investor caution amid global economic and trade uncertainties.



Source: Processed Research Data, 2026

Figure 3. Time Series Plot of the Jakarta Composite Index (JCI)

Entering 2024, the JCI experienced a short-term correction before demonstrating a rebound and accelerated growth toward the end of the observation period, reflecting an improvement in market sentiment. This pattern is particularly relevant in the context of international trade policy dynamics, considering the implementation of the 19 percent U.S. import tariff in August 2025, which may influence market expectations and investor sentiment regarding Indonesia's trade outlook and capital market performance in subsequent periods.

Table 1.
Descriptive Statistics of Research Variables

Variable	Mean	Std. Dev.	Minimum	Maximum
JCI_t	6,961.80	584.10	5,862.40	8,651.20
$\mathrm{VIX_t}$	19,233.00	5,417.00	12,440.00	33,400.00
$\mathrm{Gold_t}$	2,286.30	692.40	1,633.10	4,351.60
$\mathrm{DJIA_t}$	17.06	4.36	10.27	28.68
$\mathrm{S\&P500_t}$	4,983.00	924.00	3,602.00	6,936.00
$\mathrm{GT_t}$	14.94	11.34	5.40	63.50

Source: Processed Research Data, 2026

Table 1 presents the descriptive statistics of the research variables during the observation period. The JCI recorded an average value of 6,961.80 with a standard deviation of 584.10, and a range between 5,862.40 and 8,651.20, indicating variations in domestic stock index movements throughout the study period. The VIX index recorded an average value of 19,233.00 with a standard deviation of 5,417.00,

indicating significant fluctuations in global market volatility. Global gold prices showed a mean of 2,286.30 and a standard deviation of 692.40, with a minimum value of 1,633.10 and a maximum of 4,351.60, reflecting variations in international gold prices. The U.S. stock market indices, the DJIA index and the S&P 500 index, reported average values of 17.06 and 4,983.00, respectively, with standard deviations of 4.36 and 924.00, representing the dynamics of global equity markets. Meanwhile, Google Trends exhibited an average value of 14.94 with a standard deviation of 11.34 and a relatively wide range, indicating fluctuations in public attention toward global economic issues. Within the empirical framework, the 19 percent U.S. import tariff policy implemented in August 2025 was modeled as a policy dummy variable, coded 0 for the pre-policy period and 1 for the post-policy period. This dummy specification aims to capture potential structural changes and shifts in the JCI's response to global sentiment and international financial market dynamics as reflected in the five explanatory variables. This approach allows for the examination of differences in market behavior before and after the tariff implementation while maintaining consistency with the descriptive statistical foundation for subsequent empirical model testing.

Table 2.
Multicollinearity Test Results

Variable	VIF
$\mathrm{VIX_t}$	8.09
$\mathrm{Gold_t}$	8.41
$\mathrm{DJIA_t}$	7.13
$\mathrm{S\&P500_t}$	6.75
$\mathrm{GT_t}$	2.53
$TARIFF_t$	2.70

Source: Processed Research Data, 2026

Classical assumption tests were conducted to ensure the validity and reliability of the regression model. The tests included multicollinearity, autocorrelation, heteroskedasticity, and normality tests to evaluate whether the estimated model fulfilled the underlying assumptions required for time-series regression analysis. The results of the multicollinearity test presented in Table 2 indicate that all independent variables have Variance Inflation Factor (VIF) values below the commonly accepted critical threshold in econometric analysis. The variables VIX index, global gold price, DJIA index, and S&P 500 index exhibit VIF values of 8.09, 8.41, 7.13, and 6.75, respectively. These values remain within the acceptable tolerance limit (<10), suggesting that there is no serious multicollinearity problem in the regression model, although they reflect moderate intercorrelations among global market variables. Meanwhile, the Google Trends (Trade War) variable and the U.S. import tariff policy variable show relatively low VIF values of 2.53 and 2.70, respectively, indicating a low level of correlation with other independent variables. Overall, these results confirm that the empirical model is free from serious multicollinearity issues. Therefore, the parameter estimates can be considered reliable, and the interpretation of the regression coefficients remains statistically valid. The Durbin–Watson statistic yields a value of 1.916, which lies within the acceptance region ($du < DW < 4 - du$), indicating the absence of both positive and negative serial correlation in the residuals. This result confirms that the independence assumption of the error terms in the time-series regression model is satisfied. Accordingly, the estimated coefficients can be regarded as unbiased and consistent, supporting the reliability of subsequent statistical inference. The Glejser test results indicate that all independent variables have p-values exceeding the 5 percent significance level ($\alpha = 0.05$), suggesting that the model does not suffer from heteroskedasticity. Specifically, VIX index, global gold price, DJIA index, and S&P 500 index exhibit p-values of 0.10, 0.41, 0.14, and 0.12, indicating no statistically significant relationship between the absolute residuals and these variables.

Table 3.
Glejser Test Results

Variable	P-Value
$\mathrm{VIX_t}$	0.10
$\mathrm{Gold_t}$	0.41
$\mathrm{DJIA_t}$	0.14
$\mathrm{S\&P500_t}$	0.12
$\mathrm{GT_t}$	0.92
$TARIFF_t$	0.93

Source: Processed Research Data, 2026

Google Trends and the U.S. import tariff policy show high p-values of 0.92 and 0.93, respectively, reinforcing the conclusion that heteroskedasticity is absent. Overall, these results confirm that the time-series regression model meets the homoskedasticity assumption, enabling efficient and reliable parameter estimation and robust empirical interpretation. The normality of residuals was assessed using the Kolmogorov–Smirnov test, producing a p-value of 0.06, which exceeds the 5 percent significance level ($\alpha = 0.05$). This outcome suggests that the null hypothesis of normally distributed residuals cannot be rejected. Hence, the normality assumption underlying the regression model is fulfilled, ensuring the validity of parameter estimation and hypothesis testing procedures.

The Table 4 presents the t-test results from the time-series regression model, which was employed to examine the influence of global market variables, investor sentiment, and U.S. import tariff policy on the JCI. The table reports the estimated coefficients and p-values for each variable, providing a basis to evaluate the direction and significance of relationships within the empirical model.

Table 4.
t-Test Results

Variable	Coefficient	P-Value
Constant	4,953.00	0.00
$\mathrm{VIX_t}$	4,953.00	0.00
$\mathrm{Gold_t}$	58.90	0.00
$\mathrm{DJIA_t}$	-0.21	0.18
$\mathrm{S\&P500_t}$	-57.70	0.00
$\mathrm{GT_t}$	0.47	0.00
$TARIFF_t$	-7.16	0.04

Source: Processed Research Data, 2026

The results indicate that the VIX index is significantly influential ($p = 0.00$), with a coefficient of 58.90, reflecting a positive effect on the JCI. This suggests that increases in global market volatility are associated with upward movements in the Indonesian stock market. In contrast, the global gold price is not significantly influential ($p = 0.18$), and its coefficient of -0.21 denotes a negative effect, though it does not materially impact the JCI during the observation period. Regarding U.S. stock market indicators, the DJIA index is significantly influential ($p = 0.00$), with a coefficient of -57.70, indicating a negative effect on the JCI. Conversely, the S&P 500 index is significantly influential ($p = 0.00$) and exhibits a positive effect, with a coefficient of 0.47, demonstrating that stronger U.S. stock market performance is associated with higher JCI levels. The Google Trends variable on trade war issues is significantly influential ($p = 0.04$), with a coefficient of -7.16, indicating that heightened public attention to trade tensions negatively affects the JCI. Finally, the U.S. import tariff policy, modeled as a dummy variable, is significantly influential ($p = 0.00$), with a coefficient of 1,094.00, reflecting a positive effect and highlighting a clear distinction in JCI performance before and after the 19 percent tariff implementation. Based on the regression estimation results, the mathematical model of this study can be formulated as follows:

$$JCI_t = 4{,}953 + 58.90VIX_t - 0.21GOLD_t - 57.70DJIA_t + 0.47SP500_t + -7.16GT_t + 1{,}094TARIFF_t + \varepsilon_t$$

The regression equation indicates that the JCI is positively influenced by the VIX index, the S&P 500 index, and the U.S. import tariff policy variable, while global gold prices, the DJIA index, and Google Trends on trade war issues exhibit negative relationships with the JCI during the observation period.

The discussion of this study highlights the extent to which global uncertainty, international financial market performance, digital investor sentiment, and trade policy shocks influence the dynamics of the Indonesian capital market. The findings indicate that the JCI responds differently to various external factors, demonstrating that global shocks are not transmitted uniformly across financial and information channels. This heterogeneous response reflects the increasing integration between Indonesia's stock market and the global financial system, in which international market developments can affect domestic asset prices through capital flows, investor expectations, risk perceptions, and information transmission. The results also suggest that investor behavior in emerging markets is not determined solely by domestic economic fundamentals, but is increasingly shaped by international sentiment transmission and changes in global risk perception. In this context, movements in the JCI may represent the combined outcome of fundamental valuation and behavioral responses to external information. The significance of several global variables further indicates that Indonesian investors respond to developments in major international markets and global economic issues, although the direction and magnitude of the response depend on the specific nature of each external factor. Therefore, the following discussion elaborates on the influence of each independent variable on the JCI by relating the empirical findings to relevant theoretical perspectives, international financial transmission mechanisms, and previous empirical studies.

In the context of global financial market integration, external volatility constitutes a key factor influencing domestic market dynamics. The results indicate that the VIX index significantly affects the JCI, with a positive coefficient, suggesting that increases in global market volatility are statistically associated with upward movements in the JCI during the observation period. Therefore, H_1 is accepted, indicating that the VIX index significantly affects the JCI. Although the positive direction differs from the conventional expectation that higher global uncertainty encourages investors to reduce exposure to emerging-market equities, the finding may reflect the complex nature of international volatility transmission. An increase in the VIX does not necessarily generate an immediate and uniform withdrawal of capital from Indonesia, particularly when higher volatility is accompanied by portfolio reallocation, changes in expectations regarding global monetary conditions, or increased attractiveness of selected emerging-market assets. Moreover, the relationship between global risk perception and the Indonesian market may depend on the underlying source of the volatility shock and the relative performance of domestic assets. Consequently, the significant positive coefficient should be interpreted as evidence of a statistically meaningful relationship rather than as a direct indication that higher uncertainty improves Indonesian market fundamentals. The finding confirms that changes in global risk perception are transmitted into the Indonesian stock market and incorporated into asset prices. These results are consistent with Salim et al. (2024) and Kasraoui et al. (2025) who reported that the VIX index significantly affects emerging market equities through volatility spillover mechanisms. Thus, the significance of the VIX reinforces the view that Indonesia's capital market remains sensitive to changes in international financial uncertainty, although the direction of the transmission may vary according to market conditions and investor responses.

In contrast to global volatility indicators, precious metals are often associated with safe-haven functions during crisis periods because investors may increase their holdings of gold when uncertainty surrounding risky financial assets intensifies. The findings reveal that global gold prices have an insignificant effect on the JCI, indicating that gold did not play a dominant role in determining Indonesian stock market movements during the observation period. Therefore, H_2 is rejected, indicating that global gold prices do not significantly affect the JCI. This result suggests that changes in

international gold prices were not sufficiently strong or systematic to generate a measurable substitution effect between gold and Indonesian equities. One possible explanation is that Indonesian investors may perceive gold and equities as serving different investment purposes, meaning that changes in global gold prices do not automatically result in a corresponding reallocation of domestic equity portfolios. In addition, the safe-haven function of gold tends to become more pronounced under specific crisis conditions, whereas the 2021–2025 observation period comprised several different economic phases, including post-pandemic recovery, monetary tightening, geopolitical tensions, and changing global growth expectations. The heterogeneous nature of these conditions may weaken a stable relationship between gold and the JCI. This outcome differs from Akhtaruzzaman et al. (2021), who found a significant impact of gold on stock markets during crises, highlighting the situational and context-dependent nature of gold as a hedge. Therefore, the insignificant finding does not necessarily imply that gold lacks a safe-haven function altogether, but rather indicates that its relationship with the Indonesian stock market may depend on the type, intensity, and persistence of the underlying financial shock.

Furthermore, the linkages between developed and emerging stock markets reflect international capital flows and the increasing synchronization of financial markets. The study finds that the DJIA index significantly affects the JCI, with a negative coefficient, suggesting that increases in the DJIA are associated with decreases in the JCI after controlling for the other explanatory variables in the model. Therefore, H_3 is accepted, indicating that the DJIA significantly affects the JCI. This relationship may be interpreted through the portfolio reallocation mechanism, whereby stronger performance in the U.S. equity market can increase the relative attractiveness of developed-market assets and encourage international investors to shift funds away from emerging markets. Such reallocation may generate selling pressure in emerging-market equities and subsequently influence the JCI (Putri & Dwiridotjahjono, 2026). The negative coefficient may also reflect differences in the information and risk characteristics of developed and emerging markets, whereby improvements in U.S. equity performance can alter investors' expectations regarding global interest rates, liquidity conditions, and risk-adjusted returns. Importantly, because the DJIA is estimated simultaneously with the S&P 500, the coefficient captures the partial relationship between the DJIA and the JCI while holding the S&P 500 constant. Therefore, the negative coefficient should not simply be interpreted as evidence that any increase in U.S. stock prices automatically reduces the JCI. Rather, it may indicate a specific transmission mechanism associated with movements in the DJIA relative to other global equity indicators. These results support Lazuardi & Adlan (2025) and Goel et al. (2025), who also report a significant influence of the DJIA index on the JCI, suggesting that inter-market relationships are dynamic and shaped by global economic cycles, international capital movements, and changing investor preferences.

Similarly, the U.S. stock market often serves as a barometer of global economic optimism and is closely monitored by international investors when assessing the prospects of global economic activity. The S&P 500 index is found to be significantly influential on the JCI, with a positive coefficient, indicating that stronger performance in the U.S. equity market is associated with higher JCI levels. Therefore, H_4 is accepted, indicating that the S&P 500 significantly affects the JCI. Unlike the negative coefficient obtained for the DJIA, the positive relationship of the S&P 500 suggests that information embedded in the broader U.S. equity market may be transmitted through a confidence and information channel. Strengthening in the S&P 500 may signal improved expectations regarding corporate profitability, economic growth, and global financial conditions, thereby strengthening investor confidence in other equity markets, including Indonesia. In an increasingly integrated financial system, investors may interpret positive movements in the S&P 500 as evidence of improving global economic prospects and subsequently increase exposure to emerging-market assets. The different signs of the DJIA and S&P 500 coefficients also indicate that U.S. equity market indicators should not necessarily be regarded as interchangeable proxies for global market conditions. Each index may capture different market compositions and information dimensions, and their simultaneous inclusion in the model allows the analysis to identify their respective partial relationships with the JCI. These findings are consistent

with Adjadad & Ginting (2025) and Kasraoui et al. (2025), confirming the transmission of U.S. stock market performance to the JCI and reinforcing the importance of international equity market developments in shaping investor expectations in Indonesia.

Beyond fundamental financial indicators and global equity indices, information technology developments have increasingly shaped modern investor behavior by changing how economic information is accessed, interpreted, and incorporated into investment decisions. Google Trends is found to be significantly influential on the JCI, with a negative coefficient, suggesting that greater online search activity related to trade war issues is associated with lower Indonesian stock market performance. Therefore, H_5 is accepted, indicating that Google Trends significantly affects the JCI. This finding indicates that search intensity can function as an alternative indicator of public attention and investor concern, particularly when conventional financial indicators may not fully capture the behavioral dimension of market movements (Prisaura & Zatira, 2026). Increased searches regarding trade war issues may reflect heightened uncertainty, concern regarding international trade conditions, or anticipation of adverse consequences for economic growth and corporate profitability. When attention to trade tensions increases, investors may respond by adopting more cautious investment strategies, reducing exposure to equities, or postponing investment decisions until uncertainty becomes clearer. The negative coefficient therefore supports the argument that digital attention can influence financial markets not merely by providing information, but also by reflecting the psychological response of market participants to uncertain events. These findings corroborate the findings of Salisu et al. (2021), highlighting the crucial role of digital sentiment in influencing and predicting stock market movements. The result also demonstrates the potential value of Google Trends as an alternative data source for monitoring investor attention and identifying changes in market sentiment, particularly in an environment where financial information is disseminated rapidly through digital platforms.

Finally, international trade policies represent an external factor that cannot be overlooked in equity market analysis because changes in tariffs can affect trade costs, export competitiveness, corporate earnings expectations, supply chains, and perceptions of future economic growth. The results show that the U.S. import tariff policy significantly affects the JCI, with a positive coefficient, indicating a significant difference in JCI performance between the periods before and after the implementation of the tariff policy, after controlling for the other variables included in the model. Therefore, H_6 is accepted, indicating that U.S. import tariff policy significantly affects the JCI. The positive coefficient suggests that the Indonesian market did not respond to the tariff policy solely through a negative risk channel. Instead, the market response may reflect expectations regarding changes in Indonesia's relative trade position, shifts in global supply chains, or potential opportunities for Indonesian producers arising from changes in international trade patterns. At the same time, the implementation of tariffs can generate uncertainty regarding international trade and global economic growth, which may influence investor expectations and asset-price formation. Consequently, the significant positive coefficient should be interpreted as an empirical association between the policy period and JCI movements rather than as evidence that tariffs are inherently beneficial to the Indonesian stock market (Manihuruk & Dalimunthe, 2026). The result indicates that trade policy shocks can alter market expectations and generate measurable changes in equity prices even when the policy is implemented outside Indonesia. These findings are in line with Nishimura & Sun (2025) and Vuong et al. (2022), who argue that tariffs and trade wars increase volatility and affect market dynamics. Overall, the finding emphasizes that Indonesia's stock market is exposed not only to conventional financial shocks but also to international policy developments, as investors incorporate changes in the global trade environment into their expectations concerning capital flows, corporate performance, and future economic conditions.

CONCLUSION AND SUGGESTION

This study provides empirical evidence that JCI movements are closely linked to global sentiment dynamics and international economic policies. The integration of global volatility indicators, U.S. stock

market performance, digital sentiment, and trade policies demonstrates that the Indonesian capital market is responsive to external environmental changes, both through risk transmission mechanisms and investor expectations. The results indicate that the VIX index is significantly influential on the JCI, suggesting that global volatility is transmitted to the Indonesian stock market through changes in investor risk perception. This finding confirms that rising global uncertainty drives adjustments in domestic stock prices. Meanwhile, global gold prices are not significantly influential on the JCI, implying that the role of gold as a safe-haven asset is context-dependent and not always dominant during the observation period. Furthermore, the DJIA index is significantly influential, reflecting potential portfolio reallocations by global investors from emerging markets to developed markets when the U.S. stock market strengthens. Similarly, the S&P 500 index is significantly influential, confirming the role of U.S. equity markets as a key indicator of global sentiment that shapes investor optimism and confidence in the Indonesian capital market. In addition to financial market indicators, non-financial sentiment also plays an important role. Digital sentiment, measured via Google Trends on trade war topics, is significantly influential on the JCI, indicating that heightened public attention to global trade uncertainties serves as an important signal for investor behavior, negatively affecting stock market performance. Additionally, U.S. import tariff policy is significantly influential, suggesting that changes in international trade policy are effectively reflected in the Indonesian capital market through adjustments in expectations, risk perceptions, and global capital flows. Overall, the findings confirm that JCI movements are substantially affected by a combination of global financial factors, digital sentiment, and international trade policies.

Based on these findings, investors and market participants are advised to closely monitor external indicators, including global market volatility, U.S. stock market performance, trade war related digital sentiment measured via Google Trends, and international trade policy developments, in their investment decision-making. Monitoring the VIX index, DJIA index and S&P 500 index indices, as well as digital search trends related to trade war, can serve as early warning signals to anticipate changes in risk and potential JCI volatility. For capital market authorities and policymakers, these results highlight the importance of maintaining market stability through strengthened external risk mitigation policies, such as managing capital flows and enhancing transparency of market information. Adaptive policy responses to global dynamics are essential to minimize the transmission of international volatility and uncertainty into the domestic market. Future researchers are encouraged to develop models incorporating domestic macroeconomic variables, additional geopolitical factors, or employing more dynamic methodological approaches such as VAR, VECM, or TVP-VAR to capture both short-term and long-term relationships more comprehensively. Moreover, extending the observation period or comparing Indonesia with other emerging markets could provide deeper insights into the integration of the Indonesian capital market within the global financial system.

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