IJRAR.ORG E-ISSN: 2348-1269, P-ISSN: 2349-5138

INTERNATIONAL JOURNAL OF RESEARCH AND ANALYTICAL REVIEWS (IJRAR) | IJRAR.ORG

An International Open Access, Peer-reviewed, Refereed Journal

EVALUATING IMPACT OF U.S TARIFF ANNOUNCEMENTS ON THE INDIAN STOCK MARKET

An Event Study of Nifty50

[1]Revanth, [2]Keerthi A,

[1]2nd Year MBA, [2]Research Scholar,

[1]Department of Business Administration, [2]Department of Business Administration,

[1]Mangalore University, Mangalore, India. [2]Mangalore University, Mangalore, India.

Abstract : This paper assesses the short-term response of the Indian Stock Market, specifically the NIFTY50 index, to the tariff announcements issued by the U.S. on April 2, 2025. The study employs the event study methodology with a 21-day event window (10 days preceding and succeeding the announcement) to examine abnormal returns (AR), average abnormal returns (AAR), and cumulative average abnormal returns (CAAR). The results show that pre-event signals made people hopeful and caused gains, but the post-event phase was marked by volatility and then recovery. The results show that the Indian market is strong, which shows how important it is to keep an eye on global policy decisions for the stability of the country's finances.

***IndexTerms* –** Nifty50, Tariffs, Event Study, Abnormal Returns, Indian Stock Market.

I. INTRODUCTION

The stock market is very important for creating capital and helping the economy grow. India's market, as shown by the Sensex and Nifty 50 indices, has become more and more connected to global financial systems. As a result, changes in international policy, like tariff announcements by major economies, can have a big impact on how investors feel and how stable the market is. This study looks at how the U.S. tariff announcement on April 2, 2025, affected the Nifty 50 index. It also shows how well emerging markets can handle shocks from outside.

II. LITERATURE REVIEW

Previous research highlights the global repercussions of trade wars and tariff policies. Studies such as (Egger & Zhu, 2020)emphasize the widespread spillover effects of the U.S.–China trade war, while (Spearot & Sanyal, 2020)demonstrates India's mixed gains from trade diversion. (Ramalho & Miguel Filipe, 2020) and (Sahani, 2025) underline the destabilizing effects of tariff announcements on financial markets, including India's. Collectively, these studies establish that even economies not directly targeted by tariffs can experience volatility due to global integration.

III. METHODOLOGY

This study utilizes the event study methodology. A 21-day event window was examined, comprising 10 days prior to the announcement, the event day (April 2, 2025), and 10 days subsequent. A 100-day period was used to figure out what normal returns would be. To find out if something was statistically significant, we calculated Abnormal Returns (AR), Average Abnormal Returns (AAR), and Cumulative Abnormal Returns (CAAR).

IV. RESULTS AND DISCUSSION

4.1 Chart showing Pre event movement of AAR and CAAR

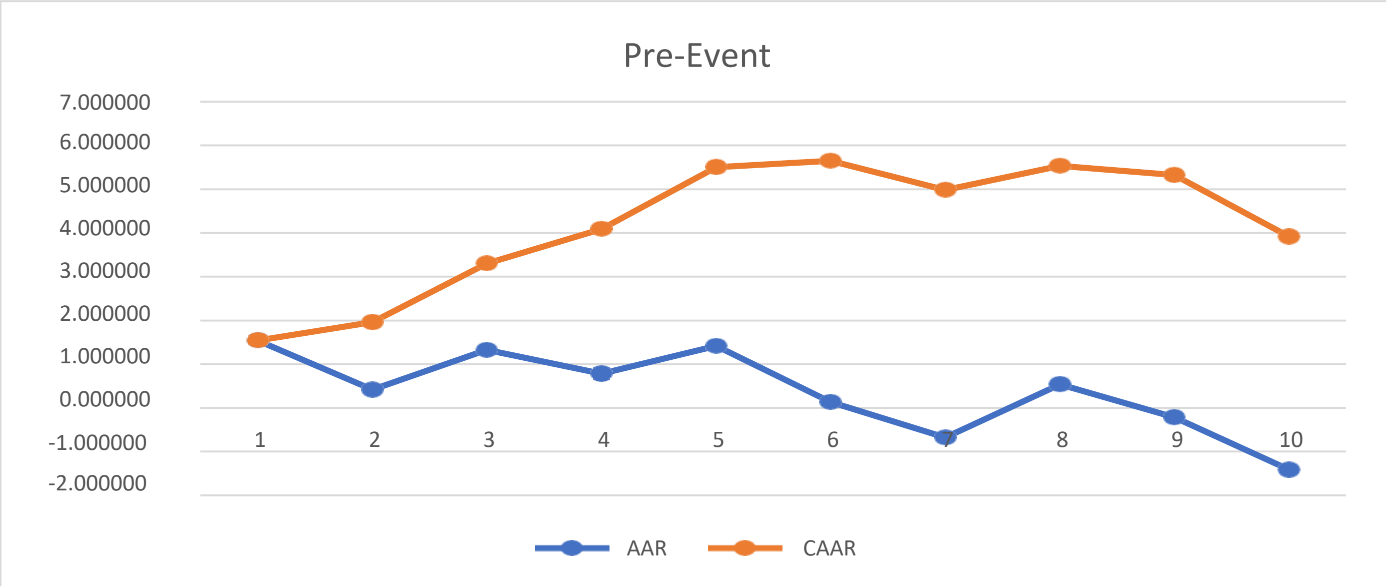

Fig.1

Figure 1 shows AAR varied between +1.5% and -1.5% in the ten days before the event, indicating alternating cautiousness and optimism. With peaks on Days 1, 5, and 8 signifying spikes in buying interest, the AAR stayed largely positive from Day 1 to Day 5. In line with this, CAAR increased gradually, peaking at 5.6% on Day 5, indicating robust speculative optimism and long-term abnormal gains. While AAR became mixed and had negative values by Day 10, CAAR stabilized at about 4–5% after Day 5. This moderation suggests cautious positioning and profit-taking as the announcement drew near. Overall, pre-event optimism is followed by a re-evaluation of risk, and the CAAR stays positive throughout, indicating that speculative trading and investor expectations had a significant impact on returns prior to the event.

4.2 Chart showing Post event movement of AAR and CAAR

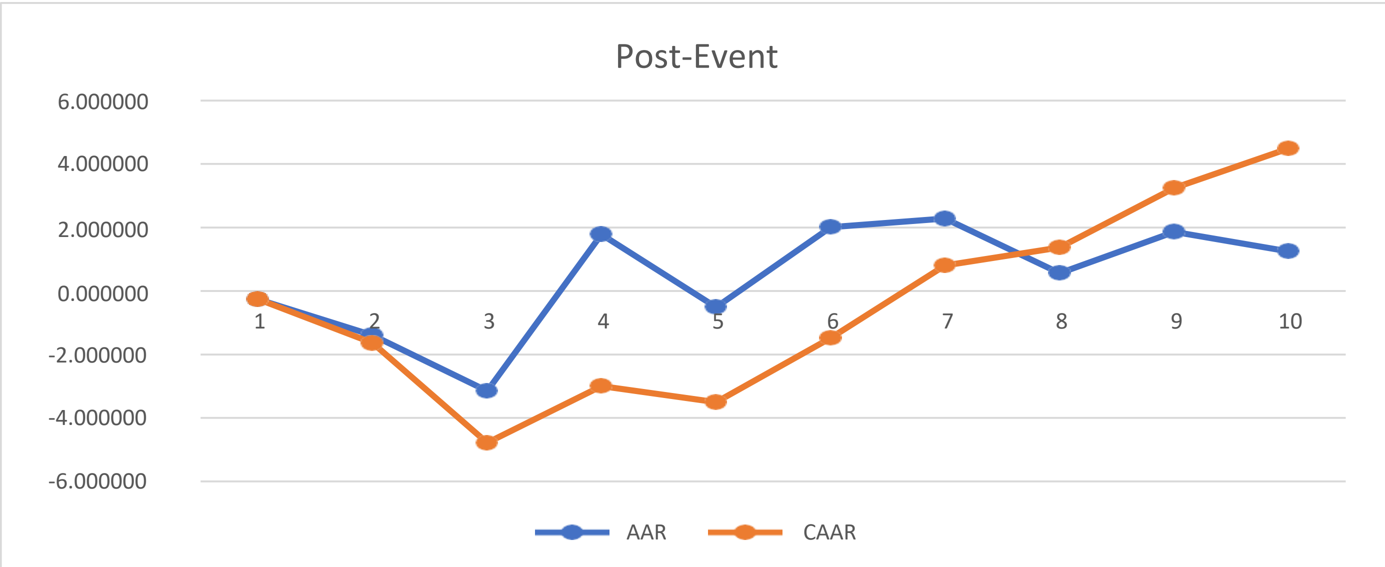

Fig.2

Figure 2 shows AAR varied from +2% to -5% over the ten days after the event, with the biggest drop occurring on Day +3 (-5%), indicating early prudence and risk re-evaluation. This early decline points to a short-term overreaction and profit-taking following gains prior to the event. As investor sentiment improved, AAR began to turn positive on Day +4 and peaked on Days +4, +6, and +7.Similar trends were seen in CAAR, which fell to -5% by Day +3 before gradually rising, turning positive by Day +7, and closing at +4.5% on Day +10. This "dip and recovery" illustrates how markets overreact at first to significant policy announcements but then quickly level off as uncertainty fades. Overall, the post-event period shows how resilient investors are and how crucial it is to monitor both AAR and CAAR in order to fully document the adjustment process.

The CAAR peaked at +5.65% during the pre-event period, indicating early investor optimism and positive abnormal returns. AAR stayed somewhat positive (+0.82%) on the day of the event, indicating that a large portion of the impact was already priced in. After the event, the market was volatile, declining on Days +2 and +3, then rising from Day +6 onward, and closing the window with a net positive CAAR of +4.49%. These findings imply that the Indian market is resilient and adapts quickly, even though tariff announcements cause uncertainty and short-term volatility.

IV. Conclusion and Implications

The short-term impact of the U.S. tariff announcement on April 2, 2025, on the Indian stock market was substantial, according to this study's findings, but the market demonstrated resilience by swiftly rebounding. This emphasizes for investors the importance of diversification and keeping an eye on changes in international policy. To protect against external shocks, policymakers ought to think about stabilization measures. The results underline the significance of global developments in influencing domestic financial dynamics and support India's integration with international markets.

References

[1] Egger, P. H., & Zhu, J. (2020). The US–Chinese trade war: an event study of stock-market responses. *Economic Policy*, *35*(103), 519–559. https://doi.org/10.1093/epolic/eiaa016

[2] Ramalho, & Miguel Filipe. (2020). *The Impact of Trump's Tariff Announcements on the World Financial Markets.* ISCTE - Instituto Universitario de Lisboa (Portugal) .

[3] Sahani, T. (2025). *The Impact of Trump's Tariffs on the Indian Stock Market: A Comprehensive Analysis*. https://doi.org/10.13140/RG.2.2.11087.60328

[4] Spearot, A., & Sanyal, A. (2020). *Tariff war and impact on India*.