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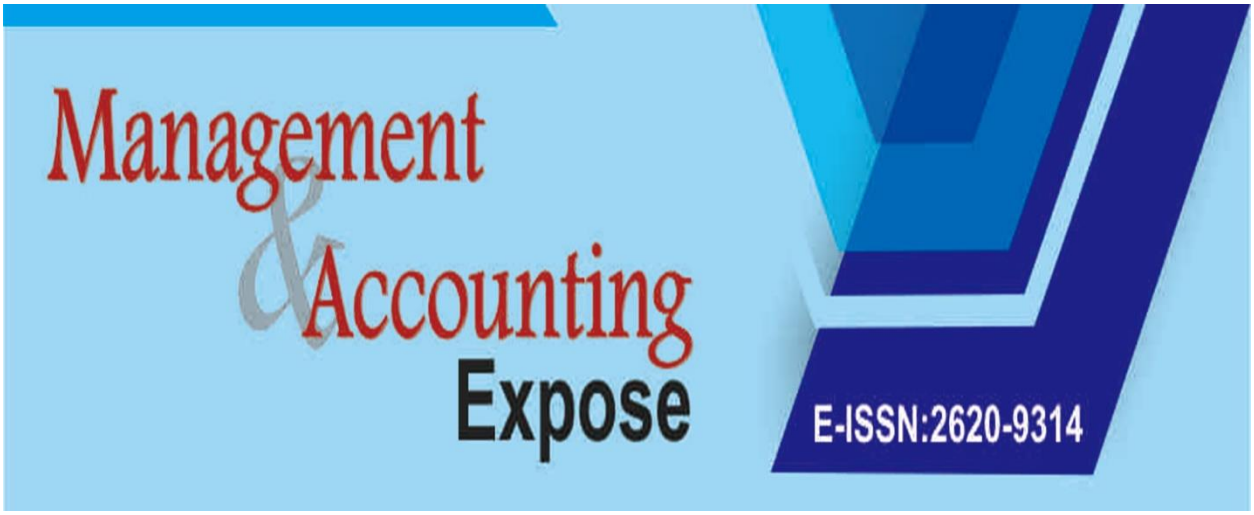
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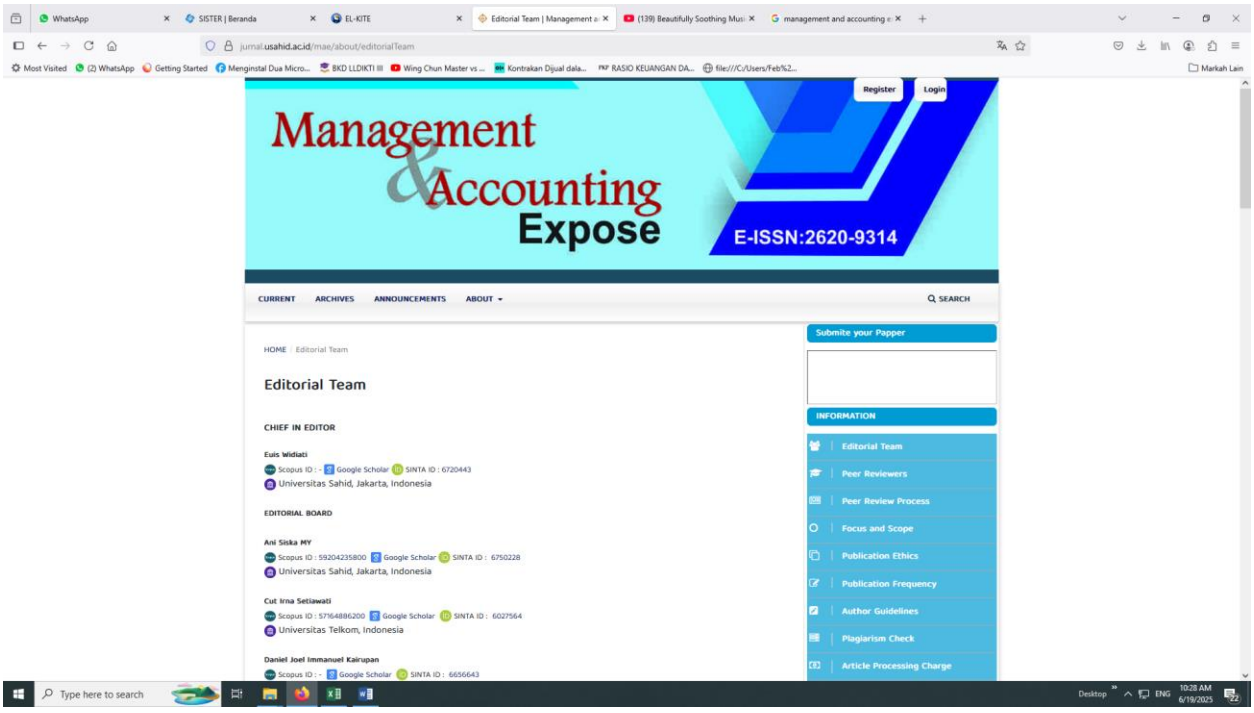
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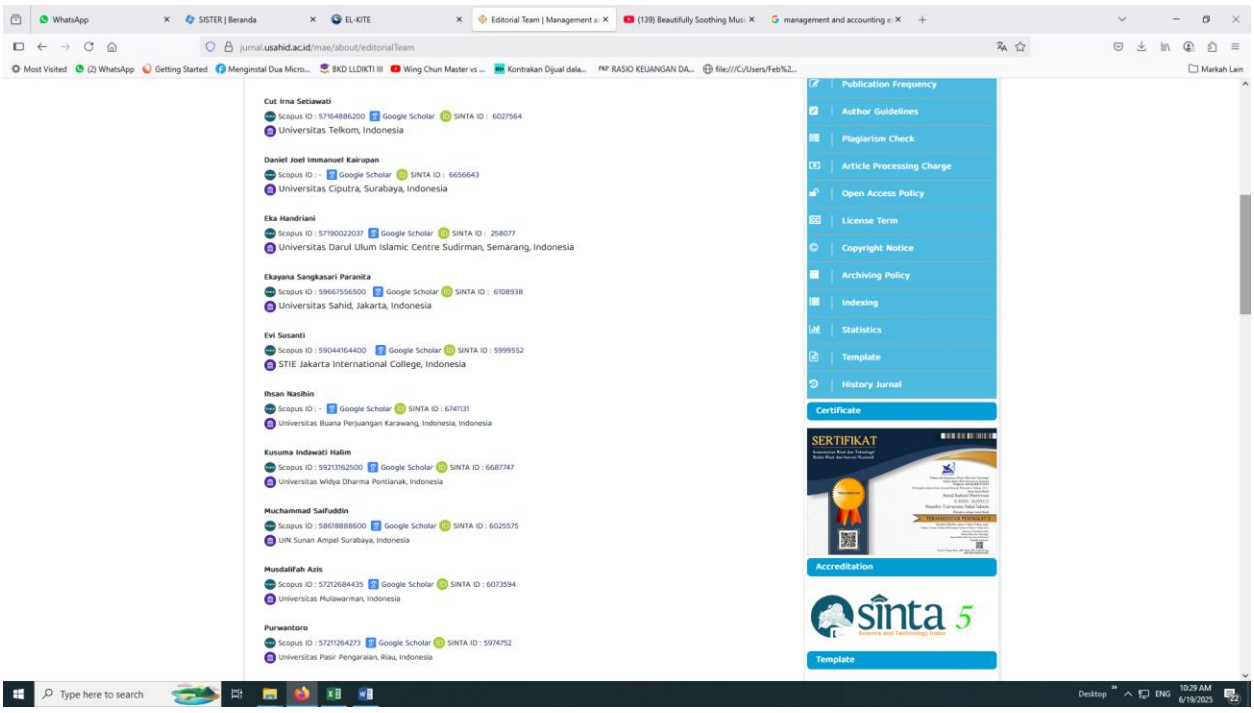

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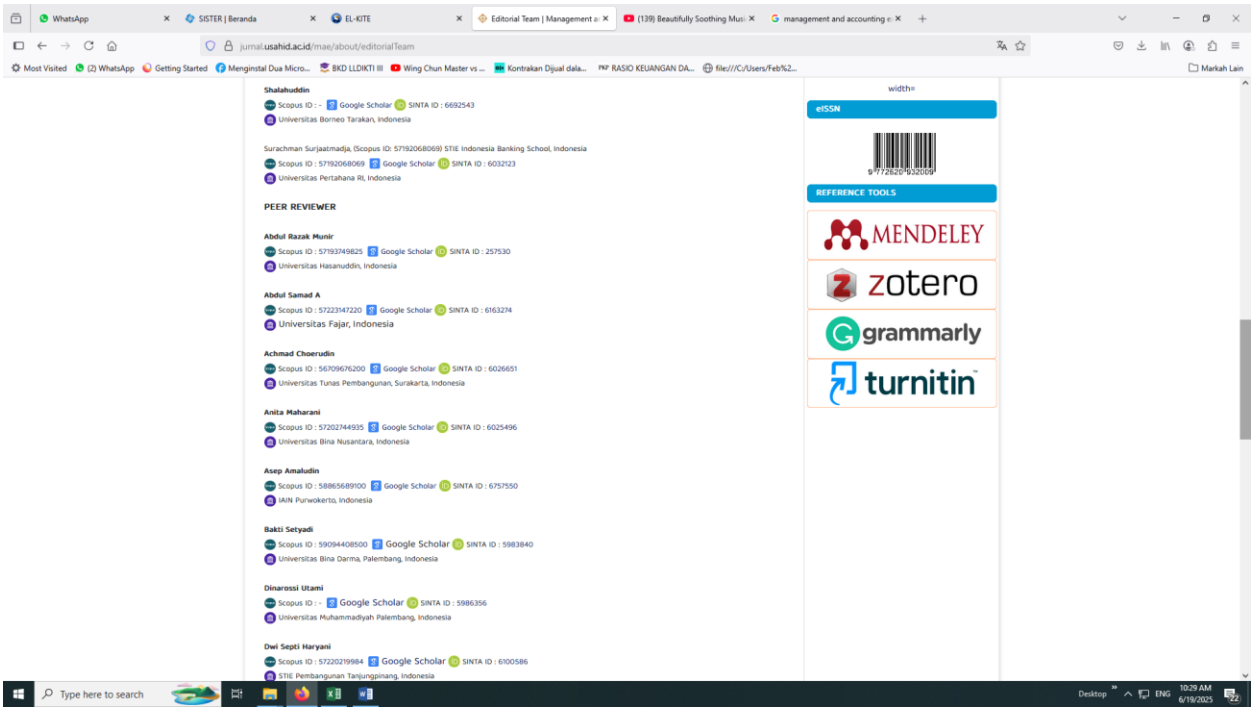

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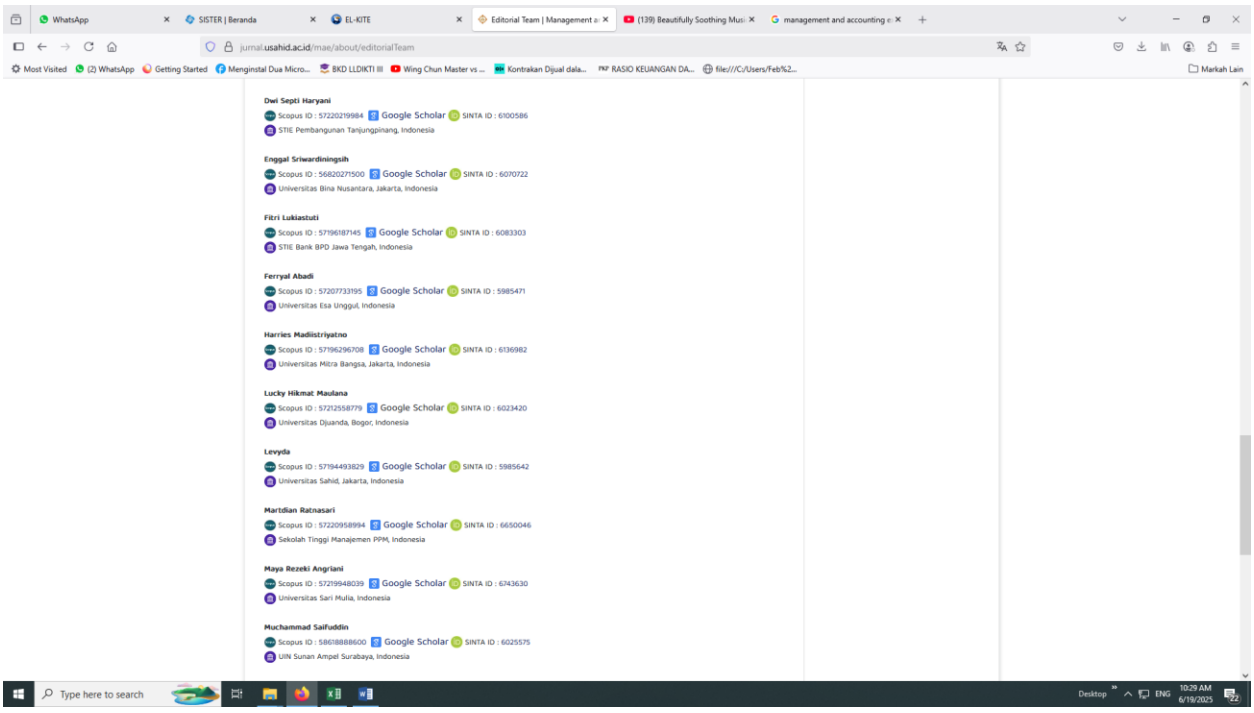

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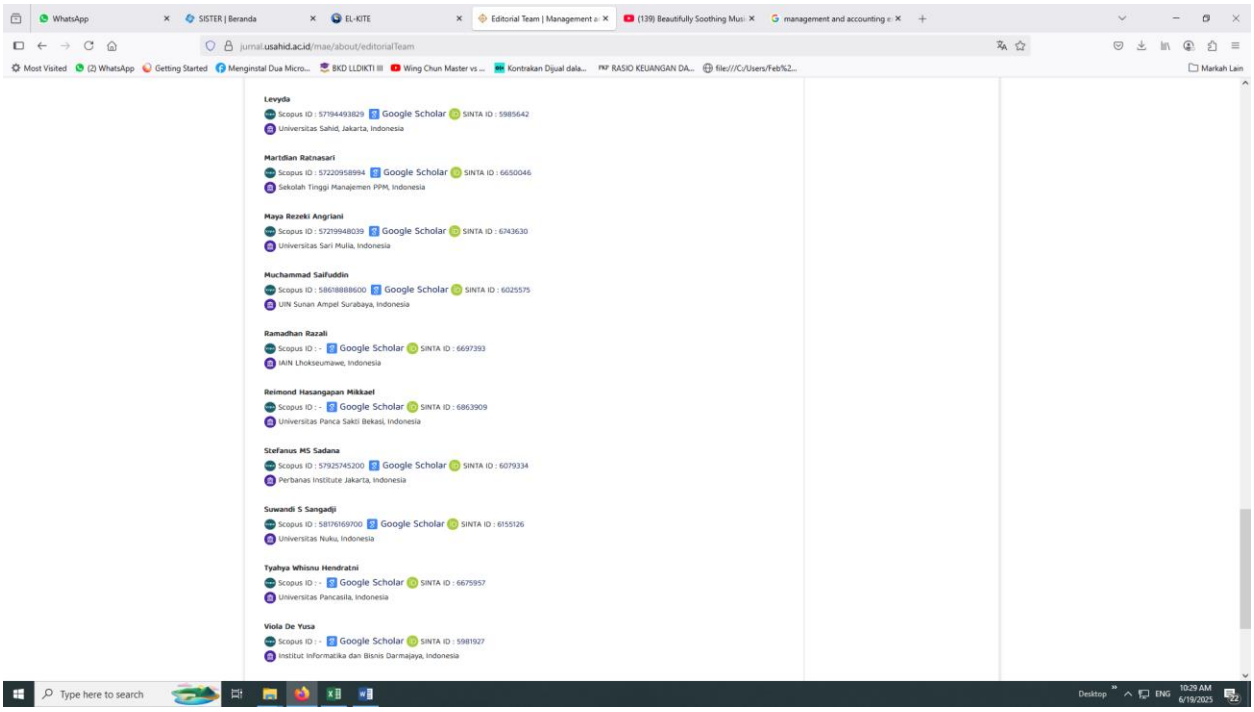

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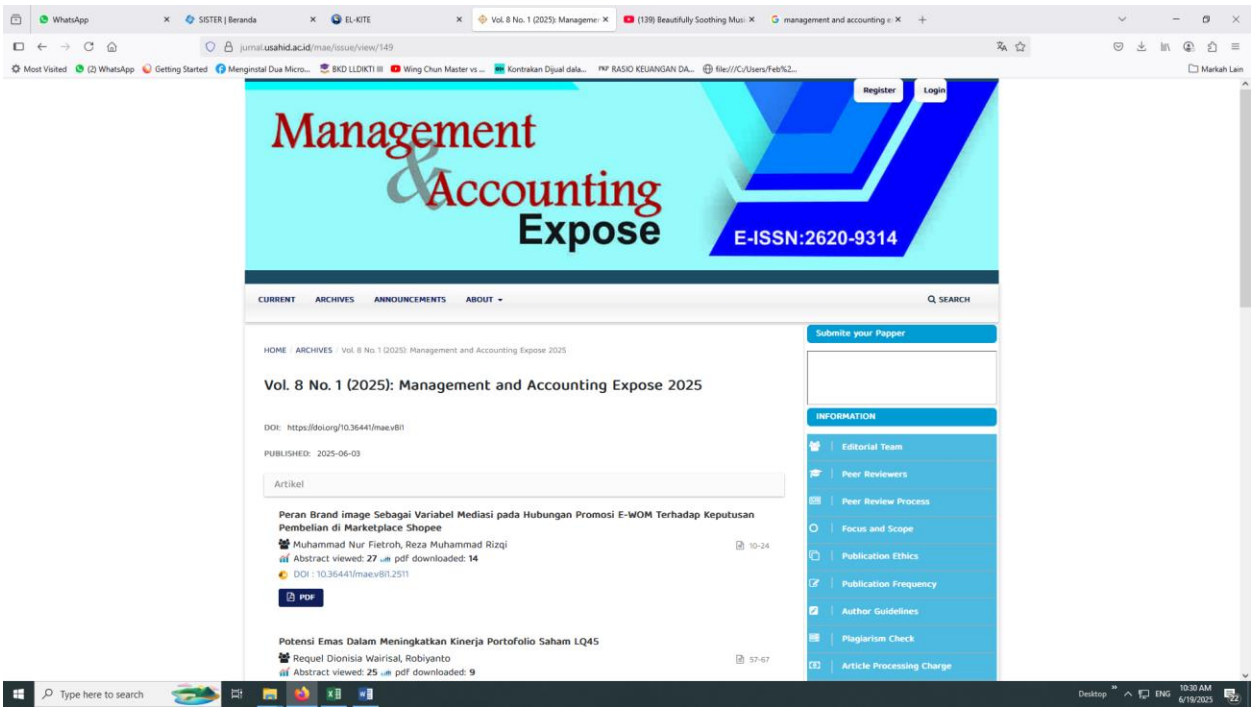
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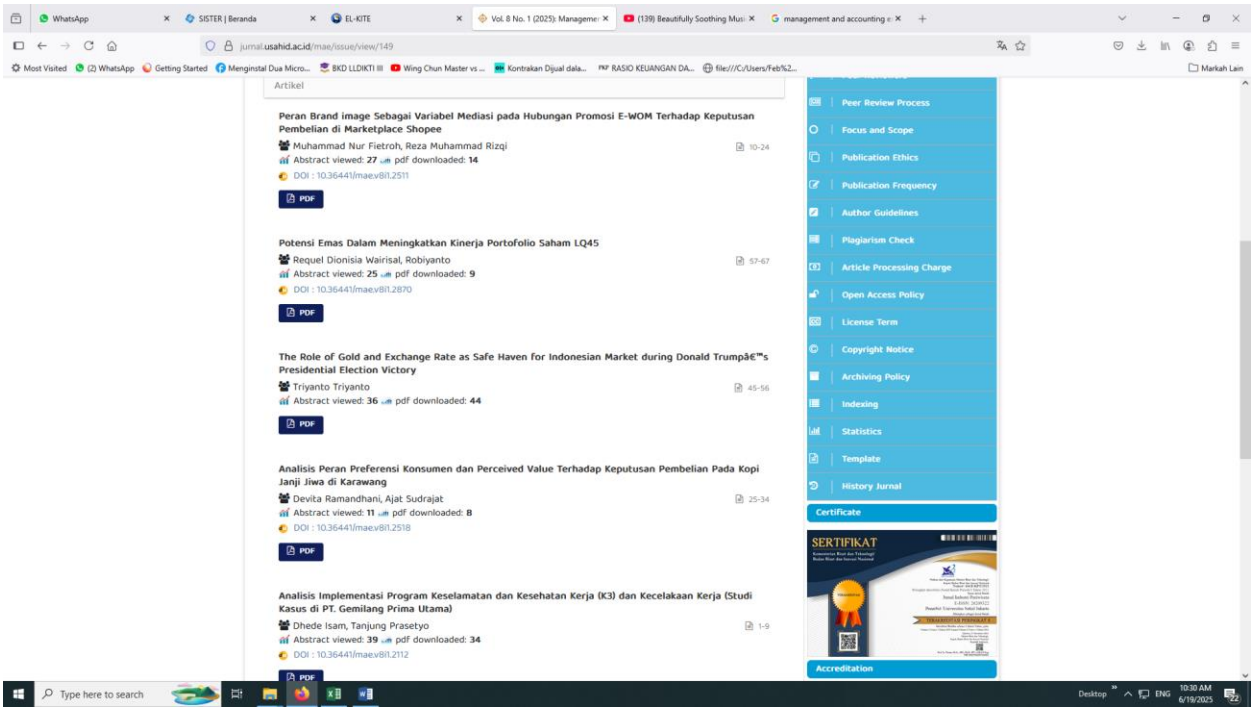
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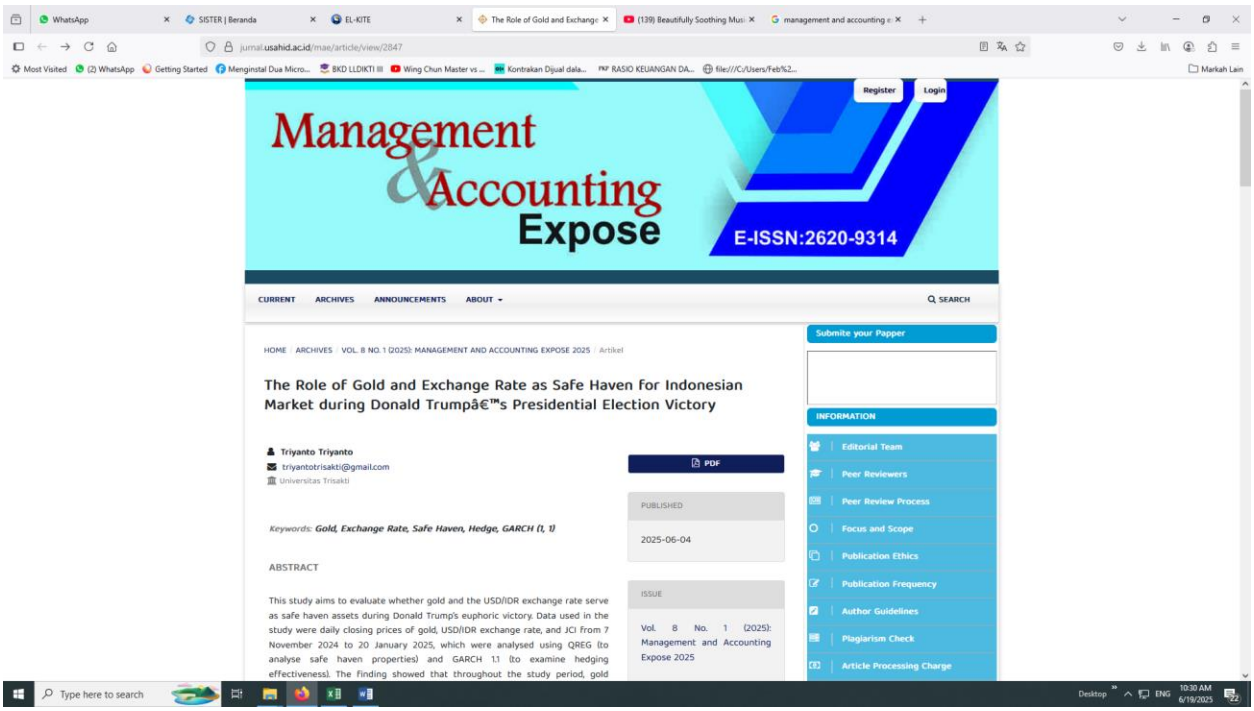
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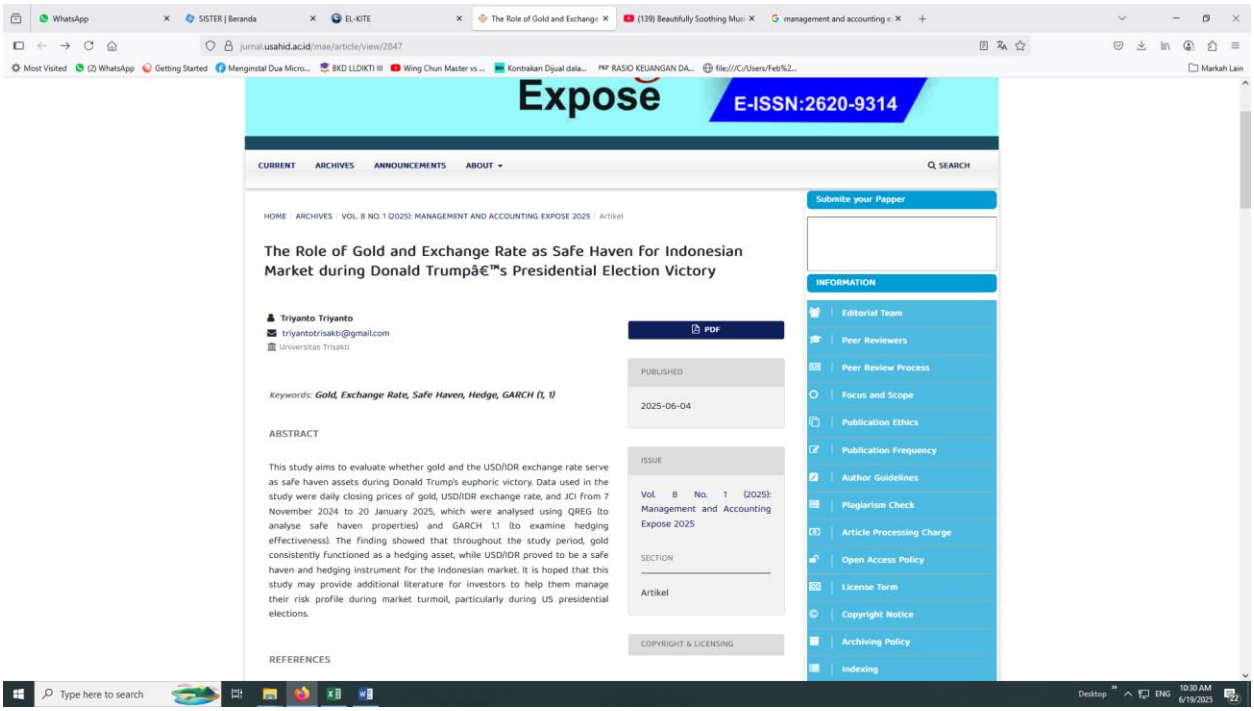
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The Role of Gold and Exchange Rate as Safe Haven for Indonesian Market during Donald Trump's Presidential Election Euphoria

Triyanto*

Abstrak

Tujuan penelitian ini untuk meninjau ulang apakah emas dan nilai tukar USD/IDR dapat menjadi safe haven saat euforia kemenangan Presiden Donald Trump. Data yang digunakan dalam penelitian ini merupakan data penutupan harian emas, nilai tukar USD/IDR dan IHSG selama periode 7 November 2024 –20 Januari 2025. Teknik analisis yang digunakan dalam penelitian ini QREG untuk menganalisis safe haven dan GARCH (1.1) untuk menganalisis hedge. Hasil penelitian ini menunjukkan bahwa selama periode penelitian emas dapat menjadi asset lindung nilai (hedge) sedangkan nilai tukar USD/IDR dapat menjadi safe haven yang kuat dan hedge untuk pasar Indonesia. Hal ini terjadi karena salah satu kebijakan Trump yang akan Sehingga penelitian ini dapat menambah literature investor dan dapat dijadikan pertimbangan dalam portofolio nya untuk mengurangi risiko saat terjadi gejolak di pasar dan untuk beberapa tahun kedepan saat adanya euphoria kemenangan presiden di Amerika Serikat.

Kata kunci: Gold, Exchange Rate, Safe Haven, Hedge dan GARCH (1.1)

Abstract

This study aims to evaluate whether gold and the USD/IDR exchange rate serve as safe haven assets during Donald Trump's euphoria victory. Data used in the study were daily closing prices of gold, USD/IDR exchange rate, and JCI from 7 November 2024 – 20 January 2025, which were analyzed using QREG (to analyze safe haven properties) and GARCH 1.1 (to examine hedging effectiveness). The finding showed that throughout the study period, gold consistently functioned as a hedging asset, while USD/IDR proved to be safe haven and hedging instrument for the Indonesian market. It is hoped that this study may provide additional literature for investors to help them manage their risk profile during market turmoil, particularly during US presidential election.

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INTRODUCTION

The 2024 US presidential election, with Donald Trump and Kamala Harris as presidential candidates, attracted worldwide attention, as the outcome is expected to have significant economic implications. On 5 November 2024, quick count results indicated Trump was ahead, signaling his potential re-election as the 47th US president, and on 7 November 2024, when major global media outlets officially reported Trump's victory, economic actors worldwide reacted strongly. It was not particularly surprising, given that Trump's previous term was marked by crucial, even controversial, economic policies. In addition, his campaign for the 2024 election focused on major economic moves, including ending inflation through economic interventions, cutting interest rates and taxes, trade protectionism, strict immigration policies, and deregulation (Editorial Team, 2024).

Several financial instruments experienced significant volatility following Trump's victory announcement. One of the most notable movements was Bitcoin, which surged to an all-time high (ATH) of USD 90,000, as the cryptocurrency industry anticipated potential benefits from deregulation (Mosal, 2024). The 10-year US Treasury yield surged from 4.28% to 4.46%, driven by expectations of fiscal stimulus and inflationary pressures following Trump's victory announcement. The Dollar Index (DXY Index) strengthened by +0.5%, reflecting expectations of higher yields; however, this also led to depreciation in several other currencies, as tighter protectionist policies weighed on global markets. The Indonesian rupiah (IDR) initially strengthened to IDR 15,670 upon Trump's official victory announcement, but continued to lose steam over time, hitting a low of IDR 16,365 on 17 January 2025. At the same time, Indonesian stock market also experienced significant volatility. Many foreign investors took profits, leading to a capital outflow of IDR 24.4 trillion in the regular stock market. Consequently, the Jakarta Composite Index (JCI) declined by -1.0% to IDR 7,170,737.

In addition to the financial instruments above, gold also experienced turmoil when Trump was elected. After Trump's first inauguration, the price of gold jumped by +52.7% on 20 February 2017 (Dwi, 2025). On 7 November 2024, following Trump's victory announcement, gold prices surged +1.8% to USD 2,707/toz, which was quite interesting, as gold, being a hard commodity, offers superior benefits compared to other financial assets (Shakil et al., 2018). Historically, commodities, particularly gold, serve as effective hedge assets, especially during periods of stock market turbulence in both developed and emerging markets (Henriksen, 2018).

Baur & Lucey (2010) highlighted that gold is the safest asset (safe haven) during high inflation and currency instability, as seen during the 2018 economic crisis, when stock markets faced turmoil. Beyond its role as a safe haven, gold has also been proven to be an effective hedge asset, capable of mitigating risk and even eliminating exposure during periods of market volatility (Arifin et al., 2024). A safe haven asset is an asset that maintains a negative or no correlation with other assets during periods of stock market turmoil, offering stability amid uncertainty, while hedge asset is an instrument designed to reduce the risk of other assets (Billah, Nanda Anisa, 2018).

Yuliana & Robiyanto, (2021) found that gold could serve as a safe haven asset for mining stocks in Indonesia during periods of extreme market uncertainty. Regardless of low or high political tensions, gold consistently demonstrates its safe-haven characteristics, providing stability and protection against volatility. Additionally, gold acts as a reliable hedge against the fluctuations of cryptocurrencies (Ben Ameur et al., 2024). Ryan et al., (2024)

showed that the strength of gold as a safe haven asset became particularly evident when triggered by macroeconomic events. Research conducted in Brazil, India, Italy, Mexico, Russia, South Korea, and Turkey found that incorporating a dynamic commodity-based trading strategy and adding gold to a stock portfolio allows investors to benefit from gold's dual role as both a safe haven and a hedge, enhancing portfolio resilience during market volatility (Ming et al., 2023). Valadkhani & O'Mahony, (2024) found that during high inflation periods, gold outperforms silver as a hedge asset, as silver tends to perform better in low-inflation environments. Gold's stronger inflation-hedging properties make it a more reliable store of value during rising prices and economic uncertainty. Aside from gold, Wang & Lee, (2022) proved that Japanese Yen (JPY) exchange rate tends to appreciate significantly during periods of international market turmoil.

In addition to being a safe haven asset, gold has been proven to be an effective hedge against market-moving news in both the short and long term (X. Zhu et al., 2022). Research Al-Nassar et al., (2023) found that gold and OVX served as strong hedging assets during the COVID-19 pandemic, providing stability amid heightened volatility. Similarly, another study Chemkha et al., (2021) identified bitcoin and gold as effective hedging instruments for minimizing international portfolio risk. Further research Bahloul et al., (2022) confirmed that gold remained a robust hedge throughout the COVID-19 period, reinforcing its role as a key defensive asset in times of crisis. In Indonesia, Robiyanto, (2018) found gold can be safe haven and hedge on ASEAN-5 market.

However, Ustaoglu's (2023) research on G7, Russian, Chinese and European markets during Russia-Ukraine war found that gold serves primarily as a diversification asset during wartime rather than a safe haven. Meanwhile, bitcoin has been identified as a strong hedge against wheat commodities. Further analysis Wang & Lee, (2022) found that gold does not function as a safe haven asset during geopolitical conflicts. Additionally, the study concluded that gold cannot hedge against exchange rate depreciation but can act as a safe haven asset to protect against dynamic risks for the euro, dollar, and pound in the long term.

This study aims to analyze whether gold and the USD/IDR exchange rate function as safe haven assets and hedges in the Indonesian market, using the composite stock price index as a proxy during the market euphoria surrounding Donald Trump's election as the 47th US president. This research is expected to contribute to the existing literature on safe havens and hedging strategies while providing insights for investors to anticipate and navigate market reactions during future US presidential election cycles.

LITERATURE REVIEW

Safe Haven. A safe haven asset is an asset that exhibits a negative or no correlation with other assets during periods of market turmoil, providing stability amid volatility. In times of heightened uncertainty, safe haven assets are characterized by low market risk and high liquidity (Flavin et al., 2014). Baur & McDermott, (2010) used the analogy of a ship seeking safe harbor in a storm; [a] safe haven asset should be one that can maintain its value during "stormy weather" or "adverse market conditions". However, the direction and nature of the storm are important considerations in determining where a safe haven can be found. So by analogy, an asset such as gold may not always be a safe haven in every type of adverse market condition. In times of uncertainty investors tend to run to relatively stable and lower

risk assets, one of which is gold, because it can provide protection against stock market losses (Vieira et al., 2023).

Hedge Asset. Hedge assets are assets that help reduce risk during periods of market volatility by exhibiting a positive correlation with other assets during downturns while maintaining a negative correlation in stable market conditions. These assets are typically effective over the long term, providing portfolio protection and risk mitigation across different economic cycles (Baur & Lucey, 2010).

Hypotheses. Safe haven assets are assets that exhibit negative or no correlation with other assets during market volatility, providing stability when financial markets decline. For example, during a financial crisis, while most financial assets depreciate, the value of gold tends to rise, reinforcing its role as a safe haven. Conversely, in bullish or stable market conditions (with no crisis or negative sentiment), gold's correlation with other assets may vary, depending on broader market dynamics.

Baur & Lucey's (2010) research found that during 2008 financial crisis, gold could be used as safe haven. Also, during the Russia-Ukraine war, gold proved to be a strong safe haven asset in Italy, Russia, and the MSCI Europe Index (Ustaoglu, 2023). Azimli (2024) stated that including gold in portfolio may reduce the portfolio's variance during Covid-19 pandemic. Ben Ameur et al., (2024) mentioned that gold has consistently proven to be a strong safe haven asset during both low and high geopolitical tensions, maintaining its value amid market uncertainty. This makes gold a valuable addition to investment portfolios, as gold can function as both a safe haven and a hedge in bearish and bullish markets. Yuliana & Robiyanto, (2021) found that gold functioned as safe haven for Indonesia's mining index during Covid-19 pandemic. Lastly, Robiyanto & Wahyudi, (2017) found that gold may act as safe haven for CSPI and 9 of Indonesia's sectoral index.

H1 = Gold may act as safe haven for the Indonesian market

A research on hedge conducted by Joo & Park, (2024) proved gold and gas could serve as hedges for Bitcoin Vieira et al., (2023) found that gold functions as both a safe haven asset and a hedge in the European market. Gold, oil, and the US Sharia stock index have been proven to be effective hedging instruments against downside risks in the real estate sector (Kang et al., 2023). Robiyanto, (2018) also found that gold could be used as hedge for the Malaysian stock market.

H2 = Gold could be used as hedge for the Indonesian market

The exchange rate is a critical component of the economy, serving as both a reference and a key driver of economic activities such as foreign trade, exports, and imports. Its fluctuations directly impact these activities, influencing market dynamics and economic stability (Hannafi Ibrahim et al., 2024).

Zhu et al., (2024) conducted research on CNY and JPY, proving that both may act as capable safe haven. Beckmann & Czudaj, (2017) research found that USD may also act as safe haven. In ASEAN-5 countries during the COVID-19 pandemic, a negative correlation was observed, indicating that the exchange rate served as a more effective safe haven than gold (Arisandhi & Robiyanto, 2022). Adiputri & Robiyanto, (2021) observed that USD Index was a solid safe haven during the COVID-19 pandemic. Putra & Robiyanto's (2019) research proved that exchange rate negatively correlates with Indonesian mining stocks. Putra & Robiyanto (2019) observed that USD/IDR and BI Rate negatively correlate with JCI's return. Arifin et al.,

(2024) found that there was weak correlation between exchange rate and gold price during Russian – Ukrainian war.

H3 = USD/IDR may be the safest asset for the Indonesian market

RESEARCH METHOD

Type and Source of Data. This study used quantitative approach using secondary data sourced from reputable providers such as Bloomberg and the Indonesia Stock Exchange. The dataset included the daily closing prices of gold, the USD/IDR exchange rate, and the IHSG, obtained from Bloomberg for the period of 7 November 2024 – 20 January 2025, from the announcement of Donald Trump's victory in the US presidential election to his inauguration at the White House.

Tabel 1. Definition of Variables

Variable	Formula
Gold	*Return Gold*$_t$ = ($GOLD_t$ – $GOLD_{t-1}$) / $GOLD_{t-1}$
Exchange Rate USD/IDR	*Return USD/IDR*$_t$ = (USD/IDR_t – USD/IDR_{t-1}) / USD/IDR_{t-1}
JCI	*Return JCI*$_t$ = (JCI_t – JCI_{t-1}) / JCI_{t-1}

Analysis. The data used in this study was time series data, which requires Augmented Dickey-Fuller (ADF) test to assess stationarity before conducting safe haven and hedge testing. Subsequently, normality and autocorrelation tests were performed to ensure data suitability for further analysis. The Quantile Regression (QREG) technique was then applied to examine safe haven characteristics, while GARCH (1.1) modelling was used to evaluate the hedging properties of the assets.

Quantile Regression is a technique used to test the effectiveness of safe havens. Puryandani & Robiyanto, (2019) used QREG to test the effectiveness of gold as hedge, safe haven or diversifier for the Indonesian market. This technique was employed due to its ability to capture sensitivity and instrument resilience in volatile market conditions. The corresponding equation is formulated as follows:

$R_{JCI,t}$,= $\alpha + \beta_1 R_{Gold\ (Q50\%)} + \varepsilon_t$

$R_{JCI,t}$,= $\alpha + \beta_1 R_{exchange\ rate\ (Q50\%)} + \varepsilon_t$

α = coefficient
R_{GOLD} = Gold return during the time period
$R_{EXCHANGE\ RATE}$ = Exchange rate return during the time period
$R_{JCI(Q50\%)}$ = Jakarta Composite Index (JCI) return at the 50th quantile
ε_t = Residual Value

The Generalized Autoregressive Conditional Heteroskedasticity (GARCH (1.1)) model was used to assess gold's potential as a hedge asset, capturing time-varying volatility in financial returns. The GARCH (1.1) model used in this research is formulated as follows:

$$y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon_t \quad \text{..... (5)}$$

With

$\varepsilon_t = \Phi_t \varepsilon_{t-1} + .. + \Phi_t \varepsilon_{t-p} + \eta_t$
$\eta_t = \sigma_t \varepsilon_t$
$\sigma_t^2 = \alpha + \beta_1 \eta_{t-1}^2 + .. + \beta_p \eta_{t-p}^2 + \gamma_1 \sigma_{t-1}^2 + .. + \gamma_q \sigma_{t-q}^2$

ε_t was independent and unaffected by past data.

RESULTS AND DISCUSSION

Stationarity, Normality and Autocorrelation Tests. The first analysis conducted was the stationarity test using the Augmented Dickey-Fuller (ADF) test at all levels to determine whether the time series data is stationary. This was followed by normality and autocorrelation tests to ensure the suitability of the data for further analysis. The results of the stationarity test are presented in Table 2. below:

Table 2. Augmented Dickey-Fuller Test

Level	Gold	USD/IDR	JCI
0	-6.96*	-8.35*	-5.77*
1	-6.78*	-8.88*	-8.04*
2	-9.49*	-11.57*	-7.98*

Source: Processed data
**Significant at 1%*

Table 3. Normality Test

Variables	Jarque-Berra	Prob.
JCI, Gold and USD/IDR return	1.541	0.463

Source: Processed data

Table 4. Autocorrelation Test at Quantile 0.5

Variables	Quantile (0.5)
Gold	None
USD/IDR	None
JCI	None

Source: Processed data

Based on the stationarity test results in Table 2, all variables used in this study exhibited ADF test statistics at levels 0 to 2, with a 1% significance level, confirming that the data was stationary. For data normality testing, the results indicated that JCI, Gold, and USD/IDR were normally distributed, as their probability values exceeded 0.05. Additionally, as shown in Table 4, the autocorrelation test results confirmed the absence of autocorrelation in the dataset. Since the data is stationary, normally distributed, and free of autocorrelation, no special adjustments required, allowing for the direct application of Quantile Regression (QREG) for safe haven analysis and GARCH (1.1) for hedge asset evaluation.

Quantile Regression (QREG) Test Results. Based on the QREG analysis at quantile 0.5 (Table 5), the regression coefficient was found to be negative but insignificant. Similarly,

the results for gold indicated a positive but insignificant correlation, leading to the rejection of H1, which posited that gold serves as a safe haven for the JCI. This study suggests that gold functions as a hedge rather than a safe haven for the Indonesian market, particularly during the euphoria following Donald Trump's re-election victory. During this period, US economic conditions remained relatively stable as the Fed chose to maintain interest rates. The 10-year US Treasury yield surged from 4.28% to 4.46%, driven by expectations of fiscal stimulus and inflationary pressures following Trump's victory announcement. Meanwhile, the price of gold did not show significant movements during Trump's second presidential election, compared to the first one (+1.8% in 2024 vs +52.7% in 2017). This led us to believe that gold could not serve as a safe haven for Indonesian stocks during the euphoria of Trump's victory. The result about rejected H1 in line with Sugiyanto & Robiyanto, (2022) found that gold cannot act as safe haven for EIDO & JCI during the pandemic Covid-19. This finding aligns with previous research Bahloul et al., (2022), which identified gold as a strong hedge during the COVID-19 period. Wang et al., (2022) find that gold has the potential to hedge against oil price fluctuations across different time horizons on almost half of the occasions. During the financial crisis in 2020 found that gold offers significant hedging value (Burdekin & Tao, 2021).

Table 5. Quantile Regression Test at Quantile 0.5

Variables	Coefficient	t-Statistic	Prob.
C	-0.001	-0.577	0.567
Gold	0.162	0.774	0.443
USDIDR	-1.33	-2.615	0.012**

Source: Processed data
***significant at 5%*

The results of this study indicate that gold can act as a hedge during the euphoria following Trump's victory. This is evident from the increase in gold ownership, as reflected in the rise in gold sales and purchases across several countries. Notably, Uzbekistan saw an increase of 8.1 tons, while China experienced an uptick of 5 tons. In comparison, by January 2025, Indonesia's central bank had accumulated a total of 78.6 tons in gold reserves (Setiawati, 2025).

However, the results of QREG analysis of the USD/IDR exchange rate against the Indonesian market indicated significant negative correlation at a 5% significance level. This supports H3, which posits that USD/IDR served as a safe haven for the Indonesian market during the euphoria of President Donald Trump's victory. This finding aligns with stock market dynamics during that period, as significant capital outflows from the Indonesian stock market prompted investors to shift to USD/IDR as a protective measure to hedge their portfolios. This result also aligns with other research (Adiputri & Robiyanto, 2021; Arisandhi & Robiyanto, 2022), which showed that exchange rate was a solid safe haven during the Covid-19 pandemic.

GARCH (1.1) Results. Based on the GARCH (1.1) test results in Table 6, H3, which posits that gold serves as a hedge asset, was accepted. This conclusion was drawn from the observation that gold exhibited neither a negative nor positive correlation with JCI during the study period. According to Baur & Lucey (2010), a hedge asset is defined as an asset that helps reduce risk, regardless of market conditions. These findings align with previous

research, reinforcing gold's role as a reliable hedge rather than a safe haven in the Indonesian market during the study period. Another research (Robiyanto, 2018a) also found that gold could be used as hedge in Malaysian and ASEAN-5 markets. Unlike other assets such as Bitcoin, gold has also been proven to serve as a hedge during periods when Bitcoin prices decline and in the context of the financial crisis conditions of 2020 (Joo & Park, 2024). Additionally, Manzli & Jeribi, (2024) found that gold and PAXG are the most effective hedge assets for both short-term and long-term liquidity, as determined using the T-GARCH-ADCC technique.

Table 6. GARCH (1.1) Test

Variable	Coefficient	z-Statistic	Prob
C	0.000	0.108	0.914
Gold	0.046	0.371	0.711
USD/IDR	-0.716	-1.536	0.125

Source: Processed data

Gold exhibits strong hedging characteristics, particularly during high market volatility or sharp market declines. This makes gold an effective addition to a stock portfolio, as it helps optimize returns while minimizing risk. Yuliana & Robiyanto (2022) examines the hedging effectiveness between individual stocks and gold. Their study found that, prior to the Covid-19 pandemic, combining ASII stock portfolio with gold reduced risk by 84.8%. During the pandemic, combining BBRI stock portfolio with gold reduced risk by 77.4%. These findings suggest that hedging individual stocks with gold can help mitigate potential losses.

On the other hand, the USD/IDR exchange rate also demonstrates a negative correlation with the Indonesian market, though it is not statistically significant (probability > 10%). However, based on the GARCH (1.1) analysis, the USD/IDR exchange rate serves as a hedge asset against the Indonesian market. Therefore, incorporating the USD/IDR exchange rate into an investment strategy should be considered, especially during market turbulence. This study confirms that during the euphoria surrounding the US presidential victory, the USD/IDR exchange rate acted as both a strong safe haven and a reliable hedge, helping investors protect their portfolios against market instability. Purnawan & Puspitasari, (2021) found that the exchange rate USD/IDR has a significant negative relationship with gold price movements, both in the short and long term. Additionally, Nugroho & Robiyanto, (2021) study revealed that USD/IDR exchange rate volatility negatively affected JCI volatility during the Covid-19 pandemic, highlighting a key consideration for investors during times of crisis.

CONCLUSION

This study aims to review whether gold can be used as safe haven and hedge for the Indonesian market, and whether the USD/IDR exchange rate functioned as safe haven for the Indonesian market during the euphoria of Donald Trump's second term presidential victory. The findings, based on QREG and GARCH (1.1) analysis, indicated that during the study period, gold served only as hedge asset for the Indonesian market. Using the 0.5 quantile QREG analysis technique, it was found that USD/IDR exchange rate can be strong safe haven asset for the Indonesian market. Meanwhile, while using the GARCH (1.1) analysis technique, it was observed that USD/IDR exchange rate functioned as hedge asset for the Indonesian market. During this period, US economic conditions remained relatively stable as the Fed

chose to maintain interest rates. The 10-year US Treasury yield surged from 4.28% to 4.46%, driven by expectations of fiscal stimulus and inflationary pressures following Trump's victory announcement. Meanwhile, the price of gold did not show significant movements during Trump's second presidential election, compared to the first one (+1.8% in 2024 vs +52.7% in 2017). This led us to believe that gold could not serve as a safe haven for Indonesian stocks during the euphoria of Trump's victory.

Based on the findings of this study, the following suggestions can be made: 1) During periods of stock market volatility and capital outflows, whether driven by the euphoria surrounding a US presidential victory or other global events, investors should monitor the USD/IDR exchange rate and consider including it in their portfolios to mitigate risk, as the USD/IDR exchange rate tends to depreciate under such conditions. 2) Investors should consider gold as a hedging asset, particularly for the medium to long term, as it provides portfolio stability during volatile market conditions.

Researchers interested in the same field can conduct this research by comparing it with other currency exchange rates such as CNY and JPY, which are currently more resilient. They can also compare it with previous periods related to the presidential victory in the United States. For investors, it would be good to consider including the USD/IDR exchange rate in their portfolios, considering that major activities influence market movements in Indonesia and the United States.

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The Role of Gold and Exchange Rate as Safe Haven for Indonesian Market during Donald Trump's Presidential Election Euphoria

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The Role of Gold and Exchange Rate as Safe Haven for Indonesian Market during Donald Trump's Presidential Election Euphoria

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Abstrak

Tujuan penelitian ini untuk meninjau ulang apakah emas dan nilai tukar USD/IDR dapat menjadi safe haven saat euforia kemenangan Presiden Donald Trump. Data yang digunakan dalam penelitian ini merupakan data penutupan harian emas, nilai tukar USD/IDR dan IHSG selama periode 7 November 2024 –20 Januari 2025. Teknik analisis yang digunakan dalam penelitian ini QREG untuk menganalisis safe haven dan GARCH (1.1) untuk menganalisis hedge. Hasil penelitian ini menunjukkan bahwa selama periode penelitian emas dapat menjadi asset lindung nilai (hedge) sedangkan nilai tukar USD/IDR dapat menjadi safe haven yang kuat dan hedge untuk pasar Indonesia. Hal ini terjadi karena salah satu kebijakan Trump yang akan Sehingga penelitian ini dapat menambah literature investor dan dapat dijadikan pertimbangan dalam portofolio nya untuk mengurangi risiko saat terjadi gejolak di pasar dan untuk beberapa tahun kedepan saat adanya euphoria kemenangan presiden di Amerika Serikat.

Kata kunci: Gold, Exchange Rate, Safe Haven, Hedge dan GARCH (1.1)

Abstract

This study aims to evaluate whether gold and the USD/IDR exchange rate serve as safe haven assets during Donald Trump's euphoria victory. Data used in the study were daily closing prices of gold, USD/IDR exchange rate, and JCI from 7 November 2024 – 20 January 2025, which were analyzed using QREG (to analyze safe haven properties) and GARCH 1.1 (to examine hedging effectiveness). The finding showed that throughout the study period, gold consistently functioned as a hedging asset, while USD/IDR proved to be safe haven and hedging instrument for the Indonesian market. It is hoped that this study may provide additional literature for investors to help them manage their risk profile during market turmoil, particularly during US presidential election.

Keywords: Gold, Exchange Rate, Safe Haven, Hedge, GARCH (1,1)

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INTRODUCTION

The 2024 US presidential election, with Donald Trump and Kamala Harris as presidential candidates, attracted worldwide attention, as the outcome is expected to have significant economic implications. On 5 November 2024, quick count results indicated Trump was ahead, signaling his potential re-election as the 47th US president, and on 7 November 2024, when major global media outlets officially reported Trump's victory, economic actors worldwide reacted strongly. It was not particularly surprising, given that Trump's previous term was marked by crucial, even controversial, economic policies. In addition, his campaign for the 2024 election focused on major economic moves, including ending inflation through economic interventions, cutting interest rates and taxes, trade protectionism, strict immigration policies, and deregulation (Editorial Team, 2024).

Several financial instruments experienced significant volatility following Trump's victory announcement. One of the most notable movements was Bitcoin, which surged to an all-time high (ATH) of USD 90,000, as the cryptocurrency industry anticipated potential benefits from deregulation (Mosal, 2024). The 10-year US Treasury yield surged from 4.28% to 4.46%, driven by expectations of fiscal stimulus and inflationary pressures following Trump's victory announcement. The Dollar Index (DXY Index) strengthened by +0.5%, reflecting expectations of higher yields; however, this also led to depreciation in several other currencies, as tighter protectionist policies weighed on global markets. The Indonesian rupiah (IDR) initially strengthened to IDR 15,670 upon Trump's official victory announcement, but continued to lose steam over time, hitting a low of IDR 16,365 on 17 January 2025. At the same time, Indonesian stock market also experienced significant volatility. Many foreign investors took profits, leading to a capital outflow of IDR 24.4 trillion in the regular stock market. Consequently, the Jakarta Composite Index (JCI) declined by -1.0% to IDR 7,170,737.

In addition to the financial instruments above, gold also experienced turmoil when Trump was elected. After Trump's first inauguration, the price of gold jumped by +52.7% on 20 February 2017 (Dwi, 2025). On 7 November 2024, following Trump's victory announcement, gold prices surged +1.8% to USD 2,707/toz, which was quite interesting, as gold, being a hard commodity, offers superior benefits compared to other financial assets (Shakil et al., 2018). Historically, commodities, particularly gold, serve as effective hedge assets, especially during periods of stock market turbulence in both developed and emerging markets (Henriksen, 2018).

Baur & Lucey (2010) highlighted that gold is the safest asset (safe haven) during high inflation and currency instability, as seen during the 2018 economic crisis, when stock markets faced turmoil. Beyond its role as a safe haven, gold has also been proven to be an effective hedge asset, capable of mitigating risk and even eliminating exposure during periods of market volatility (Arifin et al., 2024). A safe haven asset is an asset that maintains a negative or no correlation with other assets during periods of stock market turmoil, offering stability amid uncertainty, while hedge asset is an instrument designed to reduce the risk of other assets (Billah, Nanda Anisa, 2018).

Yuliana & Robiyanto, (2021) found that gold could serve as a safe haven asset for mining stocks in Indonesia during periods of extreme market uncertainty. Regardless of low or high political tensions, gold consistently demonstrates its safe-haven characteristics, providing stability and protection against volatility. Additionally, gold acts as a reliable hedge against the fluctuations of cryptocurrencies (Ben Ameur et al., 2024). Ryan et al., (2024)

showed that the strength of gold as a safe haven asset became particularly evident when triggered by macroeconomic events. Research conducted in Brazil, India, Italy, Mexico, Russia, South Korea, and Turkey found that incorporating a dynamic commodity-based trading strategy and adding gold to a stock portfolio allows investors to benefit from gold's dual role as both a safe haven and a hedge, enhancing portfolio resilience during market volatility (Ming et al., 2023). Valadkhani & O'Mahony, (2024) found that during high inflation periods, gold outperforms silver as a hedge asset, as silver tends to perform better in low-inflation environments. Gold's stronger inflation-hedging properties make it a more reliable store of value during rising prices and economic uncertainty. Aside from gold, Wang & Lee, (2022) proved that Japanese Yen (JPY) exchange rate tends to appreciate significantly during periods of international market turmoil.

In addition to being a safe haven asset, gold has been proven to be an effective hedge against market-moving news in both the short and long term (X. Zhu et al., 2022). Research Al-Nassar et al., (2023) found that gold and OVX served as strong hedging assets during the COVID-19 pandemic, providing stability amid heightened volatility. Similarly, another study Chemkha et al., (2021) identified bitcoin and gold as effective hedging instruments for minimizing international portfolio risk. Further research Bahloul et al., (2022) confirmed that gold remained a robust hedge throughout the COVID-19 period, reinforcing its role as a key defensive asset in times of crisis. In Indonesia, Robiyanto, (2018) found gold can be safe haven and hedge on ASEAN-5 market.

However, Ustaoglu's (2023) research on G7, Russian, Chinese and European markets during Russia-Ukraine war found that gold serves primarily as a diversification asset during wartime rather than a safe haven. Meanwhile, bitcoin has been identified as a strong hedge against wheat commodities. Further analysis Wang & Lee, (2022) found that gold does not function as a safe haven asset during geopolitical conflicts. Additionally, the study concluded that gold cannot hedge against exchange rate depreciation but can act as a safe haven asset to protect against dynamic risks for the euro, dollar, and pound in the long term.

This study aims to analyze whether gold and the USD/IDR exchange rate function as safe haven assets and hedges in the Indonesian market, using the composite stock price index as a proxy during the market euphoria surrounding Donald Trump's election as the 47th US president. This research is expected to contribute to the existing literature on safe havens and hedging strategies while providing insights for investors to anticipate and navigate market reactions during future US presidential election cycles.

LITERATURE REVIEW

Safe Haven. A safe haven asset is an asset that exhibits a negative or no correlation with other assets during periods of market turmoil, providing stability amid volatility. In times of heightened uncertainty, safe haven assets are characterized by low market risk and high liquidity (Flavin et al., 2014). Baur & McDermott, (2010) used the analogy of a ship seeking safe harbor in a storm; [a] safe haven asset should be one that can maintain its value during "stormy weather" or "adverse market conditions". However, the direction and nature of the storm are important considerations in determining where a safe haven can be found. So by analogy, an asset such as gold may not always be a safe haven in every type of adverse market condition. In times of uncertainty investors tend to run to relatively stable and lower

risk assets, one of which is gold, because it can provide protection against stock market losses (Vieira et al., 2023).

Hedge Asset. Hedge assets are assets that help reduce risk during periods of market volatility by exhibiting a positive correlation with other assets during downturns while maintaining a negative correlation in stable market conditions. These assets are typically effective over the long term, providing portfolio protection and risk mitigation across different economic cycles (Baur & Lucey, 2010).

Hypotheses. Safe haven assets are assets that exhibit negative or no correlation with other assets during market volatility, providing stability when financial markets decline. For example, during a financial crisis, while most financial assets depreciate, the value of gold tends to rise, reinforcing its role as a safe haven. Conversely, in bullish or stable market conditions (with no crisis or negative sentiment), gold's correlation with other assets may vary, depending on broader market dynamics.

Baur & Lucey's (2010) research found that during 2008 financial crisis, gold could be used as safe haven. Also, during the Russia-Ukraine war, gold proved to be a strong safe haven asset in Italy, Russia, and the MSCI Europe Index (Ustaoglu, 2023). Azimli (2024) stated that including gold in portfolio may reduce the portfolio's variance during Covid-19 pandemic. Ben Ameur et al., (2024) mentioned that gold has consistently proven to be a strong safe haven asset during both low and high geopolitical tensions, maintaining its value amid market uncertainty. This makes gold a valuable addition to investment portfolios, as gold can function as both a safe haven and a hedge in bearish and bullish markets. Yuliana & Robiyanto, (2021) found that gold functioned as safe haven for Indonesia's mining index during Covid-19 pandemic. Lastly, Robiyanto & Wahyudi, (2017) found that gold may act as safe haven for CSPI and 9 of Indonesia's sectoral index.

H1 = Gold may act as safe haven for the Indonesian market

A research on hedge conducted by Joo & Park, (2024) proved gold and gas could serve as hedges for Bitcoin Vieira et al., (2023) found that gold functions as both a safe haven asset and a hedge in the European market. Gold, oil, and the US Sharia stock index have been proven to be effective hedging instruments against downside risks in the real estate sector (Kang et al., 2023). Robiyanto, (2018) also found that gold could be used as hedge for the Malaysian stock market.

H2 = Gold could be used as hedge for the Indonesian market

The exchange rate is a critical component of the economy, serving as both a reference and a key driver of economic activities such as foreign trade, exports, and imports. Its fluctuations directly impact these activities, influencing market dynamics and economic stability (Hannafi Ibrahim et al., 2024).

Zhu et al., (2024) conducted research on CNY and JPY, proving that both may act as capable safe haven. Beckmann & Czudaj, (2017) research found that USD may also act as safe haven. In ASEAN-5 countries during the COVID-19 pandemic, a negative correlation was observed, indicating that the exchange rate served as a more effective safe haven than gold (Arisandhi & Robiyanto, 2022). Adiputri & Robiyanto, (2021) observed that USD Index was a solid safe haven during the COVID-19 pandemic. Putra & Robiyanto's (2019) research proved that exchange rate negatively correlates with Indonesian mining stocks. Putra & Robiyanto (2019) observed that USD/IDR and BI Rate negatively correlate with JCI's return. Arifin et al.,

(2024) found that there was weak correlation between exchange rate and gold price during Russian – Ukrainian war.

H3 = USD/IDR may be the safest asset for the Indonesian market

RESEARCH METHOD

Type and Source of Data. This study used quantitative approach using secondary data sourced from reputable providers such as Bloomberg and the Indonesia Stock Exchange. The dataset included the daily closing prices of gold, the USD/IDR exchange rate, and the IHSG, obtained from Bloomberg for the period of 7 November 2024 – 20 January 2025, from the announcement of Donald Trump's victory in the US presidential election to his inauguration at the White House.

Tabel 1. Definition of Variables

Variable	Formula
Gold	*Return Gold*$_t$ = (GOLD$_t$ – GOLD$_{t-1}$) / GOLD$_{t-1}$
Exchange Rate USD/IDR	*Return USD/IDR*$_t$ = (USD/IDR$_t$ – USD/IDR$_{t-1}$) / USD/IDR$_{t-1}$
JCI	*Return JCI*$_t$ = (JCI$_t$ – JCI$_{t-1}$) / JCI$_{t-1}$

Analysis. The data used in this study was time series data, which requires Augmented Dickey-Fuller (ADF) test to assess stationarity before conducting safe haven and hedge testing. Subsequently, normality and autocorrelation tests were performed to ensure data suitability for further analysis. The Quantile Regression (QREG) technique was then applied to examine safe haven characteristics, while GARCH (1.1) modelling was used to evaluate the hedging properties of the assets.

Quantile Regression is a technique used to test the effectiveness of safe havens. Puryandani & Robiyanto, (2019) used QREG to test the effectiveness of gold as hedge, safe haven or diversifier for the Indonesian market. This technique was employed due to its ability to capture sensitivity and instrument resilience in volatile market conditions. The corresponding equation is formulated as follows:

$R_{JCI,t} = \alpha + \beta_1 R_{Gold\ (Q50\%)} + \varepsilon_t$

$R_{JCI,t} = \alpha + \beta_1 R_{exchange\ rate\ (Q50\%)} + \varepsilon_t$

α = coefficient
R_{GOLD} = Gold return during the time period
$R_{EXCHANGE\ RATE}$ = Exchange rate return during the time period
$R_{JCI(Q50\%)}$ = Jakarta Composite Index (JCI) return at the 50th quantile
ε_t = Residual Value

The Generalized Autoregressive Conditional Heteroskedasticity (GARCH (1.1)) model was used to assess gold's potential as a hedge asset, capturing time-varying volatility in financial returns. The GARCH (1.1) model used in this research is formulated as follows:

$$y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon_t \quad \text{..... (5)}$$

With

$$\varepsilon_t = \Phi_t\, \varepsilon_{t-1} + .. + \Phi_t\, \varepsilon_{t-p} + \eta_t$$

$$\eta_t = \sigma_t \varepsilon_t$$

$$\sigma_t^2 = \alpha + \beta_1 \eta_{t-1}^2 + .. + \beta_p \eta_{t-p}^2 + \gamma_1 \sigma_{t-1}^2 + .. + \gamma_q \sigma_{t-q}^2$$

ε_t was independent and unaffected by past data.

RESULTS AND DISCUSSION

Stationarity, Normality and Autocorrelation Tests. The first analysis conducted was the stationarity test using the Augmented Dickey-Fuller (ADF) test at all levels to determine whether the time series data is stationary. This was followed by normality and autocorrelation tests to ensure the suitability of the data for further analysis. The results of the stationarity test are presented in Table 2. below:

Table 2. Augmented Dickey-Fuller Test

Level	Gold	USD/IDR	JCI
0	-6.96*	-8.35*	-5.77*
1	-6.78*	-8.88*	-8.04*
2	-9.49*	-11.57*	-7.98*

Source: Processed data
**Significant at 1%*

Table 3. Normality Test

Variables	Jarque-Berra	Prob.
JCI, Gold and USD/IDR return	1.541	0.463

Source: Processed data

Table 4. Autocorrelation Test at Quantile 0.5

Variables	Quantile (0.5)
Gold	None
USD/IDR	None
JCI	None

Source: Processed data

Based on the stationarity test results in Table 2, all variables used in this study exhibited ADF test statistics at levels 0 to 2, with a 1% significance level, confirming that the data was stationary. For data normality testing, the results indicated that JCI, Gold, and USD/IDR were normally distributed, as their probability values exceeded 0.05. Additionally, as shown in Table 4, the autocorrelation test results confirmed the absence of autocorrelation in the dataset. Since the data is stationary, normally distributed, and free of autocorrelation, no special adjustments required, allowing for the direct application of Quantile Regression (QREG) for safe haven analysis and GARCH (1.1) for hedge asset evaluation.

Quantile Regression (QREG) Test Results. Based on the QREG analysis at quantile 0.5 (Table 5), the regression coefficient was found to be negative but insignificant. Similarly,

the results for gold indicated a positive but insignificant correlation, leading to the rejection of H1, which posited that gold serves as a safe haven for the JCI. This study suggests that gold functions as a hedge rather than a safe haven for the Indonesian market, particularly during the euphoria following Donald Trump's re-election victory. During this period, US economic conditions remained relatively stable as the Fed chose to maintain interest rates. The 10-year US Treasury yield surged from 4.28% to 4.46%, driven by expectations of fiscal stimulus and inflationary pressures following Trump's victory announcement. Meanwhile, the price of gold did not show significant movements during Trump's second presidential election, compared to the first one (+1.8% in 2024 vs +52.7% in 2017). This led us to believe that gold could not serve as a safe haven for Indonesian stocks during the euphoria of Trump's victory. The result about rejected H1 in line with Sugiyanto & Robiyanto, (2022) found that gold cannot act as safe haven for EIDO & JCI during the pandemic Covid-19. This finding aligns with previous research Bahloul et al., (2022), which identified gold as a strong hedge during the COVID-19 period. Wang et al., (2022) find that gold has the potential to hedge against oil price fluctuations across different time horizons on almost half of the occasions. During the financial crisis in 2020 found that gold offers significant hedging value (Burdekin & Tao, 2021).

Table 5. Quantile Regression Test at Quantile 0.5

Variables	Coefficient	t-Statistic	Prob.
C	-0.001	-0.577	0.567
Gold	0.162	0.774	0.443
USDIDR	-1.33	-2.615	0.012**

Source: Processed data
***significant at 5%*

The results of this study indicate that gold can act as a hedge during the euphoria following Trump's victory. This is evident from the increase in gold ownership, as reflected in the rise in gold sales and purchases across several countries. Notably, Uzbekistan saw an increase of 8.1 tons, while China experienced an uptick of 5 tons. In comparison, by January 2025, Indonesia's central bank had accumulated a total of 78.6 tons in gold reserves (Setiawati, 2025).

However, the results of QREG analysis of the USD/IDR exchange rate against the Indonesian market indicated significant negative correlation at a 5% significance level. This supports H3, which posits that USD/IDR served as a safe haven for the Indonesian market during the euphoria of President Donald Trump's victory. This finding aligns with stock market dynamics during that period, as significant capital outflows from the Indonesian stock market prompted investors to shift to USD/IDR as a protective measure to hedge their portfolios. This result also aligns with other research (Adiputri & Robiyanto, 2021; Arisandhi & Robiyanto, 2022), which showed that exchange rate was a solid safe haven during the Covid-19 pandemic.

GARCH (1.1) Results. Based on the GARCH (1.1) test results in Table 6, H3, which posits that gold serves as a hedge asset, was accepted. This conclusion was drawn from the observation that gold exhibited neither a negative nor positive correlation with JCI during the study period. According to Baur & Lucey (2010), a hedge asset is defined as an asset that helps reduce risk, regardless of market conditions. These findings align with previous

research, reinforcing gold's role as a reliable hedge rather than a safe haven in the Indonesian market during the study period. Another research (Robiyanto, 2018a) also found that gold could be used as hedge in Malaysian and ASEAN-5 markets. Unlike other assets such as Bitcoin, gold has also been proven to serve as a hedge during periods when Bitcoin prices decline and in the context of the financial crisis conditions of 2020 (Joo & Park, 2024). Additionally, Manzli & Jeribi, (2024) found that gold and PAXG are the most effective hedge assets for both short-term and long-term liquidity, as determined using the T-GARCH-ADCC technique.

Table 6. GARCH (1.1) Test

Variable	Coefficient	z-Statistic	Prob
C	0.000	0.108	0.914
Gold	0.046	0.371	0.711
USD/IDR	-0.716	-1.536	0.125

Source: Processed data

Gold exhibits strong hedging characteristics, particularly during high market volatility or sharp market declines. This makes gold an effective addition to a stock portfolio as it helps optimize returns while minimizing risk. Yuliana & Robiyanto (2022) examines the hedging effectiveness between individual stocks and gold. Their study found that, prior to the Covid-19 pandemic, combining ASII stock portfolio with gold reduced risk by 84.8%. During the pandemic, combining BBRI stock portfolio with gold reduced risk by 77.4%. These findings suggest that hedging individual stocks with gold can help mitigate potential losses.

On the other hand, the USD/IDR exchange rate also demonstrates a negative correlation with the Indonesian market, though it is not statistically significant (probability 10%). However, based on the GARCH (1.1) analysis, the USD/IDR exchange rate serves as a hedge asset against the Indonesian market. Therefore, incorporating the USD/IDR exchange rate into an investment strategy should be considered, especially during market turbulence. This study confirms that during the euphoria surrounding the US presidential victory, the USD/IDR exchange rate acted as both a strong safe haven and a reliable hedge, helping investors protect their portfolios against market instability. Purnawan & Puspitasari, (2021) found that the exchange rate USD/IDR has a significant negative relationship with gold price movements, both in the short and long term. Additionally, Nugroho & Robiyanto, (2021) study revealed that USD/IDR exchange rate volatility negatively affected JCI volatility during the Covid-19 pandemic, highlighting a key consideration for investors during times of crisis.

CONCLUSION

This study aims to review whether gold can be used as safe haven and hedge for the Indonesian market, and whether the USD/IDR exchange rate functioned as safe haven for the Indonesian market during the euphoria of Donald Trump's second term presidential victory. The findings, based on QREG and GARCH (1.1) analysis, indicated that during the study period, gold served only as hedge asset for the Indonesian market. Using the 0.5 quantile QREG analysis technique, it was found that USD/IDR exchange rate can be strong safe haven asset for the Indonesian market. Meanwhile, while using the GARCH (1.1) analysis technique, it was observed that USD/IDR exchange rate functioned as hedge asset for the Indonesian market. During this period, US economic conditions remained relatively stable as the Fed

chose to maintain interest rates. The 10-year US Treasury yield surged from 4.28% to 4.46%, driven by expectations of fiscal stimulus and inflationary pressures following Trump's victory announcement. Meanwhile, the price of gold did not show significant movements during Trump's second presidential election, compared to the first one (+1.8% in 2024 vs +52.7% in 2017). This led us to believe that gold could not serve as a safe haven for Indonesian stocks during the euphoria of Trump's victory.

Based on the findings of this study, the following suggestions can be made: 1) During periods of stock market volatility and capital outflows, whether driven by the euphoria surrounding a US presidential victory or other global events, investors should monitor the USD/IDR exchange rate and consider including it in their portfolios to mitigate risk, as the USD/IDR exchange rate tends to depreciate under such conditions. 2) Investors should consider gold as a hedging asset, particularly for the medium to long term, as it provides portfolio stability during volatile market conditions.

Researchers interested in the same field can conduct this research by comparing it with other currency exchange rates such as CNY and JPY, which are currently more resilient. They can also compare it with previous periods related to the presidential victory in the United States. For investors, it would be good to consider including the USD/IDR exchange rate in their portfolios, considering that major activities influence market movements in Indonesia and the United States.

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