

Market Outlook

SELL IN MAY & GO AWAY?

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What To Expect This Month : “MACRO DATA ONSLAUGHT & TARIFF TSUNAMI – MAYDAY! MAYDAY!”

Trump's Tariff Wave Shakes Global Trade and U.S. Households

Just in: INDONESIA'S 1Q25 GDP CONTRACTS, WHAT ABOUT THE JCI?

Indonesia's economy slowed to 4.87% YoY in Q1-2025, the weakest since Q3-2021. Household consumption, which supports around 53.71% of GDP, dropped to 4.89% YoY despite seasonal support from Ramadan and Eid al-Fitr spending. Gross Fixed Capital Formation (GFCF) plunged to 2.12% YoY due to high interest rates and global uncertainty. Government spending also contracted - 1.38% YoY due to fiscal efficiency policies. On the other front, Exports rose 6.78% YoY across goods and services, including a spike in foreign tourist arrivals. However, Imports also slowed to 3.96% YoY. Analysts note weakening domestic momentum, delayed business expansion, and restrained job creation.

Growth projections for 2025 have been revised below 5%, with potential GDP contraction of 0.3–0.5%. Indonesia is expected to be moderately affected if trade tensions don't escalate into full retaliatory tariffs. Bank Indonesia may cut rates by up to 50 bps in H2-2025 if the FOMC loosens policy by June or July. Household consumption is likely to remain weak below 4.9% YoY due to a rising preference for saving.

In fact, individual savings grew 6.4% YoY in March 2025 — the highest since 2022 — even during Ramadan, which usually boosts spending. This is seen as an anomaly reflecting household caution. One reason: a wave of nationwide layoffs earlier this year prompted people to hold on to their holiday bonuses and severance pay to survive the coming months. Non-essential spending was delayed, even during the Eid celebration. No surprise, the 2025 Eid homecoming traffic declined.

Judging from the JCI's stable reaction when this news broke, **it seems that Indonesia's 1Q GDP contraction was already priced in by the market, possibly even seen as “understandable” considering the U.S. GDP contraction that was released earlier last week.** As reported, the U.S. economy slowed in Q1/2025 for the first time since 2022. The weakening is attributed to aggressive import tariffs and weaker consumption. Bloomberg reported (April 30, 2025) that real U.S. GDP grew just 0.3% YoY in Jan–Mar 2025, far below the 2.4% in Q1/2024. The slowdown was due to a surge in imports as companies raced to stock up ahead of new tariffs. As a result, exports shaved 5 percentage points off GDP. Imports surged 41.3% YoY, the biggest jump in nearly five years. Some economists expect this sharp trade deficit to reverse in Q2/2025.

👉 Therefore, it makes sense that Indonesia's rising exports and slowing imports align directly with what's happening in the U.S. = Their import surge (as companies rushed to beat tariffs) and export slump are mirrored in reverse here. The market was fairly well-prepared for the below-expectation results, which is why the IHSG remained stable and did not react with volatility.

☑ **JCI: over the last 5 years, May has historically shown the lowest probability of gains (20%) compared to the other 11 months.** April, on the other hand, had an 80% winning rate since 2021, and indeed the JCI surged 9.3% last month. To anticipate the seasonal phrase **“SELL IN MAY & GO AWAY”**, we must first assess **key upcoming events, starting with global economic indicators:**

- May 08: FOMC Meeting – interest rate decision (consensus: hold at 4.50%), BOE Meeting – interest rate decision (consensus: cut 25bps to 4.25%)
- May 10: China Trade Balance (Exports & Imports), CPI & PPI (Apr)
- May 13: U.S. CPI (Apr)
- May 14: German GDP Q1
- May 15: U.S. PPI (Apr), U.S. Retail Sales (Apr), UK GDP Q1
- May 16: Japan GDP Q1
- May 19: Eurozone CPI (Apr)
- May 20: China 5Y Loan Prime Rate decision
- May 21: UK CPI (Apr)
- May 23: German GDP Q1

From INDONESIA: key macroeconomic data to monitor include:

- May 05: GDP Q1 (consensus: 4.91%, down from 5.02% in 4Q24)
- May 21: BI Board of Governors Meeting – BI7DRR rate decision (currently 5.75%)

As seen above, several major economies will release Q1 GDP figures and central banks will issue highly anticipated policy decisions. **KIWOOM RESEARCH** believes these events could shake global equity markets. On top of that, **new developments in Trump’s tariff policies will begin this month.** Here’s the timeline and sectoral impacts:

1. May 02, 2025 – “De Minimis” Tariff for Small E-commerce Packages

- **Policy:** U.S. ends “de minimis” treatment for imports under \ \$800 from China and Hong Kong.
- o **New Tariff:** Starting June 1, 2025 – flat fee per item rises from \ \$100 to \ \$200.
- **Purpose:** Previously, small goods like clothes, gadgets, and accessories sent directly to U.S. consumers weren’t subject to duties. This aims to close loopholes used by **Chinese e-commerce giants like Shein and Temu** to bypass import tariffs.
- **Impacts:**
 - o Shein and Temu announced temporary halt of direct U.S. sales.
 - o Low-income U.S. consumers hit hard as prices surge.
 - o Though meant to protect U.S. retail and apparel manufacturing, inflation on cheap consumer goods may rise.

2. May 03, 2025 – 25% Tariff on Imported Cars

- **Policy:** A 25% tariff on all fully imported (CBU) cars, including from trade partners like Canada and Mexico.
- **Exception:** Components qualifying under USMCA rules of origin.
- **Impacts:**
 - o Automakers like GM, Ford, and Stellantis suspend some plant operations due to supply chain disruptions.
 - o Temporary layoffs and slowdowns hit U.S. auto hubs in the Midwest and South, such as MICHIGAN.
 - o New and used car prices expected to jump sharply in Q2–Q3 2025.

3. May 04, 2025 – 100% Tariff on Foreign-Produced Films

- **Policy:** Films produced abroad will face a 100% tariff when shown in U.S. cinemas or via U.S.-based streaming platforms. No effective date yet, but expected in Q3 2025.
- **Implied Target:** Global film industries like Australia, Canada, and the UK offering tax breaks for Hollywood productions.
- **Impacts:**
 - o Disney and Netflix say foreign shoots will be paused or moved to the U.S.
 - o Foreign films in U.S. theaters will become pricier or see limited digital release.
 - o Protests from Hollywood, film unions, and indie distributors.



ECONOMIC IMPACTS AT A GLANCE

▲ Consumer Goods Inflation

- Higher prices for cheap imports and cars could lift U.S. inflation by 0.4% in May–June 2025, says Moody's.

▼ GDP and Wages

- The Penn Wharton Budget Model (Apr 10, 2025) projects that if all tariffs become permanent:
 - o Long-term U.S. GDP will fall 6%
 - o Real wages will drop 5%
 - o The average middle-class household will lose \$22,000 over their lifetime



Supply Chain and Consumer Disruption

- Retailers report soaring distribution costs.
- Some e-commerce platforms reroute shipments via Mexico, risking future tariff hikes.



PUBLIC & POLITICAL COMMENTARY

- Trump said on May 3: *"We can live with fewer toys this Christmas if it means bringing our factories back home"*.
- Financial Times dubbed this the **"Marie Antoinette Moment"** — a tone-deaf comment from a figure of power, reminiscent of the infamous (though likely apocryphal) quote by Marie Antoinette herself when her poor people couldn't afford bread, instead she said: *"Let them eat cake."*
- In this context, Democrats and industry groups accused Trump of **ignoring the reality that low-income households rely on cheap imports, and of downplaying the inflation and supply shortages that affect daily life.**

CHINA'S POSITION & NEGOTIATIONS

- CHINA called the policy an **"unjustified economic attack"** and is preparing retaliation, possibly restricting key raw materials (rare earths).
- Though Trump says he's open to negotiation, tariffs on Chinese goods now total 145% and show no sign of easing soon. Both Washington and Beijing claim to have opened backchannel talks — *if the other side is willing*. If talks fail, **full tariffs will roll out gradually from late May through July 2025.**
- **Key affected goods:** electronics components, consumer goods, light steel, EV batteries, solar panels.



CONCLUSION & OUTLOOK:

Trump's May 2025 tariffs mark a revival of his **"America First"** protectionist stance — this time broader and more systemic in impact:

- Chinese e-commerce takes a hit.
- Global entertainment reevaluates filming locations.
- The U.S. auto sector reels from disruption.
- U.S. consumers face soaring prices and limited product options.

!? **Markets now await two things:** *China and other trade partners' responses (retaliatory tariffs or WTO challenges) ; and whether domestic pressure will force revisions to this tariff policy.*



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