

## ABSTRACT

### **Effect of Fundamental and Technical Factors To Efficient Market Within Draws Share Market Values of Industrial Manufacturing Company Listed in Jakarta Stocks Exchange**

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Efficient markets theory, founding and developed by academics was accompanied by a change in the focus of literature from normative approach to positive approach with analytical methods and techniques, such as “what should investment, financing or dividends policies be”? To positive theories addressing questions such as “what is the effect of alternate investment, financing or dividends policies are”? This shift in research emphasis was necessary to provide the scientific basis for the formation and analysis a corporate policy decisions.

The efficient markets hypothesis holds that the market is efficient if it is impossible to make economic profit by trading on available information. Cowles (1933) documents the inability of 45 professional agencies to forecast stock price changes. Others early work in the field by statisticians, such as working (1934), Kendal (1934), and Osborne (1959, 1962), document that stock and commodity price behave like random walk; that is stock price changes behave as if they were independent random drawings. This means that trading rules based on information in the past prices series cannot be expected to produce above-normal returns Fama (1976,1991), Husnan and Hanafi (1991), Yong (1995, 1996), Reilly and Brown (2000), and Maghianti (2001).

The efficient markets theory is perhaps the most extensively tested by efficient markets hypothesis in money market and all social sciences. An importing factor leading to the substantial body of empirical evidence on this hypothesis is the data made available by the establishment of the Center Research of Security Prices (CRSP) sponsored by Merrill Lynch at the University of Chicago. Consistent with the efficient markets hypothesis, detailed empirical studies of stock prices indicate that it is difficult to earn above-normal profits by trading on publicly available data because it is already incorporated in security prices. Fama (1976, 1991). reviews much of evidences, Husnan and Hanafi (1991), Yong (1995, 1996), Maghianti (2001). However, evidence is not completely one-side; see for example, Jensen (1978), who provides a review of some anomalies.

This studies uses 110 public listing company in Jakarta Stocks Exchange on industrial manufacturing sector, and anlysis tools is Structural Equation Modeling (SEM) by computer application program of AMOS (Analysis of Moment Structure) release 4.01, findings as follow as:

1. Fundamental Factors was effecting Market Efficient, positive and significantly within the draws of Share Market Values. This findings is consistent with early works by fundamental analysts, Basu (1983), Banesh and Paterson

- (1988), Reinganum (1988), and efficient market in Jakarta Stock Exchange were build by fundamental factors and markets efficient theory.
2. Fundamental Factors, positive and significantly, can use to estimate of mispriced of share market values directly and indirectly. This means, investor can earn above-normal profit by trading on publicly available data. This findings was consistent with early studies by fundamental analysts, that price changes not really reflect of new information, Basu (1975, 1977), Yosef and Brown (1977), Reinganum (1988), Freeman and Tse (1989), and Ball (1992), and reject efficient markets theory and early studies by Fama (1976,1991), Husnan and Hanafi (1991), Yong (1995, 1996), and Maghianti (2001).
  3. Technical Factors cannot effect Markets Efficient within the draws of Share Market Values, negative result with theory expectation and not significant. This findings actually consistent with technical analysts opinion that they reject markets efficient, Jensen (1978), Bernard and Thomas (1989), Mendenhall (1991), DeBondt and Thaler (1985). But within negative effect, it is indicate that there were some other factors was not detected by this model, such as, internal trading, economic condition, political pressure or combined each others.
  4. Technical Factors, directly and indirectly can used to estimated Share Market Values, but with negative direction and significantly. These findings consistent with Dow theory, Buy and Sell Signals and Moving average model. Technical analysis convince about historical prices data can used to forecast market price in the future, and investor is possible to earn above-normal profits, Pring (2002). But the direction of effect becomes more and more positive that the effect had been result from other factors.
  5. Market Efficient was effecting to draws of Share Market Value. This findings was consistent with efficient markets theory and early studies by markets efficient analysts. But Share Market Values has been applied from some anomalies, positively and significant as dimension or indicators, market efficient were findings in Jakarta Stocks Exchange is Internal Efficient, with this condition, investors can reach abnormal return, because prices changes not really reflect all publicly information.

**Key words:** *fundamental factors, technical factors, efficient markets, share market values, efficient market theory, Dow theory, anomalies.*

