

ABSTRACT

EVENT PERIOD ANALYSIS OF MARRIOT BOMB TO MARKET REACTION WITH ABNORMAL RETURN PARAMETER IN JAKARTA STOCK EXCHANGE

The objective of this research is to analyse reaction of capital market Indonesia (Jakarta Stock Exchange) to domestic political event. Detonation event bomb in J.W Marriot hotel on 5 August 2003 becoming focus in this research. Reaction of capital market to an event shown with the existence of price change from stocks and will be measured by using indicator of abnormal return. Hypothesis which will be proved in this research represent the hypothesis to test there is or is not negative abnormal return which significant obtained by investor because effect of existence of detonation event bomb in J.W. Marriot hotel on 5 August 2003.

Sample research collected by using of purposive sampling and chosen and also fulfill the criterion specified amount to 45 stocks which is the included in LQ-45. Hypothesis in this research will be tested by using t test.

Result of this research indicate that the detonation event bomb in J.W. Marriot hotel on 5 August 2003 giving negative abnormal return which significant to investor on event day (day 0) and positive abnormal return on day (+1) after event date.

Conclusion obtained from result of hypothesis examination show that capital market react negatively to the activity outside economics owning national scale having the character of bad news. This matter shown with the existence of negative abnormal return which significant accepted by investor because effect of detonation event bomb in J.W. Marriot hotel on 5 August 2003.

Keywords : event study, reaction of the market and abnormal return