ABSTRACT

The impact of economic crisis in Indonesia badly affected the capital marketers at Jakarta Stock Exchange. The instability of economy during the crisis period made the capital marketers have difficulty in analyzing and predicting the stocks return of already go-public companies. Two models that can be used by the investors to predict the company stock return, which are up to now still controversial among the financial management experts regarding their accuracy for predicting the company stock return, are *Capital Asset Pricing Model* (CAPM) and *Arbitrage Pricing Theory* (APT).

This research is to recognize the accuracy of CAPM model and APT model in predicting the stock return of manufacturing industries and banking before and during the period of economic crisis at Jakarta Stock Exchange. The accuracy of CAPM and APT models is measured by using *Mean Absolute Deviation* (MAD), while the T-test is used to compare the accuracy between CAPM and APT models.

The population of this research is all monthly stock returns of the already go-public manufacturing and banking companies at Jakarta Stock Exchange. Whereas the sample used is the monthly stock return of 16 manufacturing companies and 7 banking companies during 1991 to 2000.

The result of the research showed that the CAPM model was more accurate than APT model in predicting the stock returns of manufacturing industry and banking before and during crisis era. The less-accuracy of the APT model compared with CAPM model can be as a result of: (1) the unsuitable constructing variables of APT model used in this research; (2) not all investors used ARIMA method in estimating the variables of macro economy; and (3) inability of APT model constructed in this research in explaining the variation of returns as a result of non-economic factors and cooperate actions. Besides, CAPM and APT models constructed during relatively stable economic condition (before crisis era) were not used to predict the stock returns of the manufacturing and banking companies during crisis era because they only result in high MAD.

Key words: *Capital Assets Pricing Model (CAPM), Arbitrage Pricing Theory (APT), Mean Absolute Deviation (MAD), Economic Crisis.*