ABSTRACT

This study aims to investigate whether there is market reaction around the 2014 Indonesian presidential election based on Efficient Market Hypothesis. With statistical analysis to see whether there is abnormal average return, cumulative abnormal return, and average abnormal trading volume. Use event study method with 11 days of event period.

With secondary data from yahoo finance and website of IDX, this research use daily closing price of each stock, composite index (IHSG), and trading volume. Expected return calculated using market model. The sample of this research is Kompas-100 index.

This research acknowledges that the market is semi-strong efficient indicated by quick price adjustment around candidate and result announcement. This research found the average abnormal return and average abnormal trading volume along event period. In accordance with average abnormal return, the average abnormal trading volume in Kompas-100 index also can be seen from D+2 until D+5 of result announcement. However, there is no significant CAR around candidate and result announcement. AAR of Kompas-100 index around candidate announcement is significantly different with AAR around result announcement. However, the AATV and CAR show no different reaction between candidate announcement and result announcement.

Keywords : Efficient Market Hypothesis, event study, AAR, AATV and market model.