ABSTRACT

One of the developing studies in the field of finance is the discussion of the Efficient Market Hypothesis introduced by Fama in 1970. Since its introduction, many studies have been carried out on market efficiency theory, especially in developed countries. In its development, Fama explained that market efficiency can be tested through the predictability of returns. Several studies on return predictability have been conducted in Indonesia. However, it is still limited to research on return predictability in the long term. This study will focus on looking for the most influential variables on short-horizon return predictability. The purpose of this study is to analyze the effect of effective spread, trading frequency, stock prices, trading volume, and stock price volatility on short-horizon return predictability.

The sample of this study are 45 companies listed on the LQ45 Index of the Indonesia Stock Exchange with a period from February 2022 to July 2022. This study uses historical data on daily stock trading sourced from the Bloomberg Terminal and is processed using multiple linear regression analysis to determine the most influencing variables to short-horizon return predictability.

Several variables were found that had an effect on short-horizon return predictability. However, there are several variables that are not in accordance with the hypothesis. This study found that stock prices are the most influential variable on short-horizon return predictability.

Keywords:

Market efficiency, market microstructure, short-horizon return predictability