

ABSTRACT

This study aims to observe the reaction of Indonesian capital market to domestic terrorism events that occurred in the last 15 years, including JW Marriot Bombing in 2003, Australian Embassy Bombing in 2004, Bali Bombing II in 2005, Mega Kuningan Bombing in 2009, and Sarinah Bombing in 2016.

This event-based study uses secondary data that obtained from Indonesia Stock Exchange in the form of daily closing stock price and LQ-45 stock index for six days event period. The sample that used are companies listed in LQ-45 index in Indonesia Stock Exchange and using purposive sampling method .

The result of this study shows that there are significant abnormal return around the event period of terrorism. This indicates the existence of information contained in terrorism events, so that the market directly reacts after the information absorbed.

Key word: Capital market, terrorism, abnormal return, event study.