ABSTRACT

This research aims to determine the difference in expected returns between various portfolios sorted based on extreme trading volume. This research conducted on 80 stocks listed in Indonesia Stock Exchange 2008 to 2012 period. This research is conducted following previous researches such as Amihud and Mendelson (1986), Brennan et. al. (1998), Datar et. al. (1998), Gervais et. al. (2001), Wang and Cheng (2004), and Baker and Stein (2004). This research also interacted the extreme trading volume with security characteristics such as past performance, firm size, and Book-to-Market or BM value.

The portfolio formation method in this research is refer to return portfolio approach by Gervais et. al. (2001). Using this method, portfolios formed and determined its average expected returns. After that T-test will be performed to determine the difference in expected returns between each contradicting portfolios like extreme high and extreme low volume, extreme high-winner stocks and extreme low-loser stocks, extreme high-large stocks and extreme low-small stocks, and extreme high-glamour stocks and extreme low-value stocks.

The results showed that there's no difference in expected returns between extreme high and extreme low volume, extreme high-winner stocks and extreme low-loser stocks, extreme high-large stocks and extreme low-small stocks, and extreme high-glamour stocks and extreme low-value stocks portfolios.

Keywords: extreme trading volume, past performance, firm size, BM value.