

ABSTRACT

Information is needed to invest in stock exchange. Investors need information to analyze a stock before finally decide to buy or sell stocks. Capital market is efficient if the security's price has to reflect all available and relevant information. However, many research show several phenomena that are inconsistent with the efficient market hypothesis, one of those phenomenon is return reversal. This phenomenon is called a winner-loser anomaly when stocks extremely positive abnormal return (winner) or extremely negative abnormal return (loser) experience extended reversal, so that loser can outperform winner. The presence of this anomaly creates the contrarian investment strategy: buy loser stocks and sell-short the winner stock.

The purpose of this research is to test contrarian investment strategy can be applied in the Indonesian capital market, especially companies Kompas 100. By using data from January 2008 until December 2010 and covers the period of formation and testing for six months, this research found that the reversal effect occurs for portfolios formed based on the abnormal return but did not found the same thing for the portfolios are formed based on size, PBV and PER. Discovery of reversal effect in both groups of stocks may mean that the test period based on abnormal returns, contrarian investment strategy can be applied in the Indonesian capital market, especially companies Kompas 100 the period 2008 to 2010.

Keyword: Contrarian investment strategy, Abnormal Return, Size, Price Book Value and Price Earning Ratio