

ABSTRACT

The purposes of this research is to analyze differences in average abnormal return and average trading volume activity on LQ-45 stocks before and after Indonesia Stock Exchange suspended trading from 6 to 15 October 2008. This research uses the event study method. In this method, we observe the average abnormal return and the average trading volume activity within 3 days before, after the event date.

This research uses secondary data. The data is collected from Indonesia Stock Exchange and Indonesia Securities Market Database. The data of this research consist of: day's closing price, index of LQ-45 stocks, daily trading volume, and the number of shares of the stocks. The sample of this research consists of LQ-45 stocks that were listed in the Indonesia Stock Exchange.

The result shows that: (1) based on the statistical test on the average abnormal return during the event, the finding is that there is an average abnormal return but not significant before and after the Indonesia Stock Exchange suspended trading. This finding indicates that investors are anticipating the suspended trading because of the global crisis. Most of the abnormal returns are negative: it means that the information from the event is a bad news. Nevertheless, on the first day after the Indonesia Stock Exchange suspending trading, the abnormal returns are positive which it means that is good news. It also means the government policies in suspending the stocks trading were accepted as a positive action, so that it reduces the investor panic reaction and creates a more conducive market. (2) From the paired sample test of the average trading volume activity before and after the event of Indonesia Stock Exchange suspending trading, it shows that statistically there is no significant difference before and after the event. The mean value of the average trading volume activity shows that there is an increase of the average trading volume after the event than before the event. It is because after the event, the government inform about the policy of SE-004/BEI.PSH/10-2008 that regulate the highest and the lowest price of the stocks listed in Jakarta Automatic Trading System either in the regular market or in the cash market.

Keyword: Average Abnormal Return, Average Trading Volume Activity, event study, Indonesia Stock Exchange Suspended Trading.