ABSTRACT

Analysis of Effect of Bond Issuance Announcement On The Stock Return In The Jakarta Stock Exchange

Nafiah Afaf

The aim of this research are to identify the abnormal return around the announcement day, to analyze the effect of the bond issuance announcement on the stock risk and return, and also to identify variabels that have significant influence on the CAR. Data were collected from 20 samples of bond announcement between 2002 to 2005. To analyze the data, the event study and regression analysis were used. The results show that in general the positive abnormal returns were found after the bond announcement. This indicated positive market reaction to the bond announcement. It is also found that the risk of stock return between 60 days before and 60 days after the announcement date was not significantly different. The regression analysis shows that valuation and bond rating were significant in affecting CAR. Valuation has a negative effect on the CAR, but bond rating has a positive effect.

Keyword : CAR, Event study, Abnormal Return, Risk, Return