ABSTRACT


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The purpose of this research is to examine information and overreaction of investor from one day price drop event. Paired t test is used to examine information on average abnormal return and cumulative abnormal return. This research use the event study method with 41 day observations and a 220 day estimation period. Samples are issuer which were listed at The Indonesian Stock Exchange and had 10% decline in a one trading day. The examination consists of 3-period, i.e 2005 – 2010, 2005 – 2008, and 2008 – 2010. The one day price drop has an information and causes the investors to do some overreaction. Overreacting they made some adjustments and the price turned around at H+1. After the subprime mortgage crisis, the investors overreaction occur in a longer run while in the period before subprime mortgage crisis, the investor’s overreaction occur in a shorter run. The one day price drop is contradictive with the efficient market hypothesis.

Keywords : One day price drop, event study,, cumulative average abnormal return, efficient market hypothesis, overreaction market.