

SUMMARY

RIA MAULIDA. Testing Market Efficiency At Cocoa Commodity Futures Market In Jakarta Futures Exchange. Supervised by LUKYTAWATI ANGGRAENI and SYAMSUL HIDAYAT PASARIBU.

Commodity exchange is an organized means of trading to conduct a commodity trading transaction that is formed to make commodity trading work well and the risks in trading can be controlled. One of the risks involved in commodity trading is the price fluctuates. Indonesia is a producing country with some of the main commodity. One of them is cocoa commodity. Indonesia is the third largest cocoa producer in the world. Cocoa has fluctuation price movements in commodity trading that causes concerns of business actors. *Jakarta Futures Exchange* is one of form of risk pricing activity that trades cocoa in the futures market. Futures price movements and fluctuating cocoa spot futures prices in the futures market become market risk and an opportunity for market participants to earn profit from futures and spot price differences. The movement of spot prices and futures prices will form the price balance in the market. The balance of spot price and futures price formed can be used as a benchmark for efficient market level. The large potential of cocoa commodity futures market is conducted the test of efficient market hypothesis to inform market participants. The purposes of this research are 1) To see the development of futures market trading on cocoa commodity in *Jakarta Futures Exchange*, 2) To test the long-term efficient market in cocoa commodity futures market, 3) To test the short-term efficient market in cocoa commodity futures market.

This research used differential and descriptive method. The data used in this research are the volume of cocoa contract transactions, spot price and the daily historical futures price of cocoa since cocoa commodities joined in futures market in December 2011 until December 2016. Descriptive analysis on the cocoa commodity development futures trading market from the value of cocoa commodity trading volume experienced fluctuating growth between -126,050% to 39,480%, and average growth of Cacao at -6,462%. The cocoa commodity futures exchange increased from 2011-2015 and was at the highest peak in 2015 due to the increasing of futures price, the condition was predicted by investors which lead to profitable transactions on cocoa commodities. However, the decline happened in 2016 caused by the decreasing in spot prices and futures prices of cocoa commodities in Indonesia so that investors are not interested to conduct transactions in cocoa commodities.

The market efficiency test in this research is conducted on long-term and short-term relationship and contained risk premium between spot price and futures price. Stationary test of spot price and futures price data using Augmented Dickey Fuller (ADF) root test shows that spot price and futures prices have stationary at first difference level. The next step is to perform cointegration testing, then the model used is Error Correction Model (ECM).

The cointegration test used is Augmented Engle Granger Test (AEG). If there is cointegration between the futures price and the spot price, then the market is efficient in the long-run. The results of cointegration test indicate a cointegration relationship between spot price and futures price on cocoa

commodity. This indicates that cocoa commodity futures market has shown that cocoa commodity is a long-term efficient market.

A market that has a long-term equilibrium relationship has the possibility of short-term inequilibrium. To see the short-term efficient market is used the Error Correction Model (ECM). The results of the Error Correction Model (ECM) indicate a short-term relationship in spot price and futures prices. In addition, the coefficient value (b) is in the range 0-1 ($0 < b < 1$) so that the market cocoa is efficient and contains risk premium. The managerial implications of this research investors can use futures price information to predict the spot price and investors can use the risk premium on the efficient cocoa market to obtain the expected return.

Keywords: Market efficiency, cacao commodity, futures market, risk premium.

