

ABSTRACT

INDONESIAN STOCK MARKET REACTION BEFORE AND AFTER PRESIDENTIAL ELECTION 2014 (Event Study On Stock Price Index LQ-45)

BY

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Stock market has a significant role in supporting economy in a country. In its development, stock market is always influenced by environmental effect. One of non-economical environmental effects is the event of presidential election, and other political events. To understand whether stock market reacts or does not to events, we can interpret from abnormal return, trading volume activity, and bid-ask spread. The aim of this research is to know whether there is any significant difference among abnormal return, trading volume activity, and bid-ask spread before and after the political event of the Presidential Election in 2014. Data processing and analyzing in this research were conducted using statistical Paired Samplet-Test. The results of statistical Paired Sample t-Test show that the significant difference can be clearly identified between abnormal return before and after the presidential election event and trading volume activity before and after the presidential election event. However, the significant difference cannot be found in bid-ask spread.

Keyword: Abnormal Return, Bid-Ask Spread, Trading Volume Activity and Stock Market