

ABSTRACT

IMPLICATION OF FINANCIAL PERFORMANCE REPORTING IN DETERMINING MARKET REACTION (STUDY ON COMPANIES LISTED IN THE INDONESIA STOCK EXCHANGE)

BY

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This research aimed to determine the implications of reporting financial performance on the markets reaction, in companies listed in the Indonesia Stock Exchange. The research used several variables such as trading volume, cash flow from operating activities, and gross profit as an indicator of financial performance, firm size as control variable, and the market reaction calculated by the abnormal return approach. This research used manufacturing companies which were listed in Indonesia Stock Exchange (IDX) as population. The study sample consisted of 30 companies which were classified into two portfolios. The sample was determined by purposive sampling method with the observation period 2011-2013. This research used multiple linear regression analysis of data panel model, and independent sample t-test.

The results showed that the trading volume had significant influence on the market reaction to the winner stock portfolios, but no significant on loser stock portfolios. Cash flows from operating activities has significant negative effect on the market reaction to the winner stock portfolios, and significant positive on loser stock portfolios. Gross profit and firm size no significant on the market reaction on both portfolios. The independent sample t-test showed that there was no significant difference between the stock market reaction to the winner and loser portfolios.

Keywords: *Abnormal Return, Overreaction, Winner and Loser Portfolios, Trading Volume, Cash Flows from Operating Activities, Gross Profit, and Firm Size.*