

The Impact of Reshuffle in Indonesian Working Cabinet Volume II to Abnormal Return and Abnormal Trading Activity of Companies Listed in the Jakarta Islamic Index

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Abstract : A big political event such as Cabinet reshuffle mostly can affect the stock price positively or negatively, depend on the perception of each investor and potential investor. This study aims to analyze the movement of the market and trading activities which respect to an event using event study method. This method is used to measure the movement of the stock exchange in which abnormal return can be obtained by investor related to the event. This study examines the differences of reaction on abnormal return and trading volume activity from the companies listed in the Jakarta Islamic Index (JII), before and after the announcement of the Cabinet Work Volume II on 27 July 2016. The study was conducted in observation of 21 days in total which consists of 10 days before the event and 10 days after the event. The method used in this study is event study with market adjusted model method that observes market reaction to the information of an announcement or publicity events. The Results from the study showed that there is no significant negative nor positive reaction at the abnormal return and abnormal trading before and after the announcement of the cabinet reshuffle. It is indicated by the results of statistical tests whose value not exceeds the level of significance. Stock exchange of the JII just reflects from the previous stock prices without reflecting the information regarding to the Cabinet reshuffle event. It can be concluded that the capital market is efficient with a weak form.

Keywords : abnormal return, abnormal trading volume activity, event study, political event

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