

## ABSTRACT

The objective of this study is to analyze the differences in return and to analyze the stock price reaction (based on the overreaction hypothesis) for the blue chips (LQ 45) and non blue chips stock (non-LQ 45) in 2008 (the period of crisis/bearish) and 2009 (the period of recovery/bullish). The objective was established based on the tendency of market overreaction in response to new information (good news and bad news). Besides that, the characteristic differences between blue chips and non blue chips stock cause this research is conducted separately.

This research was carried out on all shares in BEI which eligible as a sample (purposive sampling). Winner-loser portfolio formation is conducted by the CAR method (Cumulative Abnormal Return), and the abnormal return is conducted by market-adjusted model. To test the return difference used t-test on 5% significance level against the average abnormal return (AAR) of blue chips and non-blue chips stock. Then, the overreaction analyze by graphical analysis of AAR and based on DACAR value (difference Between ACAR loser and winner).

The results of return testing show that in 2008, 2009, and a whole (year 2008-2009) found no significant difference in average abnormal return (at 5% significance level) between blue chips and non blue chips stock. This occurs because the market reacts irrationally in the test period. On overreaction testing found that there has been overreaction to the blue chips and non blue chips stock in 2008, 2009, and a whole (year 2008-2009). This is shown from the average cumulative abnormal return (ACAR) of loser portfolio that outperformed the winner portfolios in the test period. However, from the graphical analysis known that overreaction on blue chips and non blue chips stock in 2008-2009 are not consistent during the test period or occurred separately. This Finding suggests that the market efficiency of Indonesian capital market for information can be classified into the weak form. In addition, the existence of overreaction allow for investors to gain significant abnormal return through the contrarian strategy.

*Keywords: overreaction, winner loser, cumulative abnormal return.*