ABSTRACT

Many factors affect the rise and fall of stock price, both fundamental and technical. One of the technical factors that affect stock price was liquidity. Liquidity associated with the ability of a stock to purchase or sell. the more easily to do the purchase or sale of a stock, the stock is said to be more liquid. Various proxies that can be used in measuring the level of liquidity of a stock include trading volume, trading frequency, and the bid-ask spread. This research will examine the liquidity proxy for stock return.

This research uses 12 companies listed in LQ45 during the period 2004-2008 as the sample. Research methods used multiple regression analysis to test the effects of trade volume, trade frequency and the bid-ask spread on stock return.

This research provides results that trading volume and trading frequency have a significant effect on stock return, while the bid-ask spreads has no significant effect on stock returns. This evidende shows that trading volume and trading frequency contains more information on stock returns than the bid-ask spread. this study are expected to contribute in the form of consideration for investors in investing in the stock market.

Keywords: liquidity, trade volume, trade frequency, bid-ask spread