

Abstract

The purpose of study is to discuss the overreaction anomalies on the Indonesia Stock Exchange in particular to 31 stocks listed in LQ45 during the 2017-2019 period. The existence of market overreaction is marked by a reversal of prices between winner stocks and loser stocks, which can be seen from the value of the Average Cumulative Abnormal Return (ACAR) of the stock portfolio.

The method used in this research is a comparative method between winner and loser portfolios. The study period was divided into 2, namely 6 months observation and 1-year observation. 31 The sample selected in this study will be grouped based on the value of the Cumulative Abnormal Return (CAR) of shares into two portfolios. The winner's stock portfolio consists of 10 stocks with the highest CAR, while the loser stock portfolio consists of 10 stocks with the lowest CAR.

This study found some symptoms were exaggerated but not statistically significant. The results show that the Indonesia Stock Exchange is efficient in a weak form, so the implementation of a contrarian strategy is expected to be detrimental to this market segment.

Keywords: overreaction, basic industry and chemistry, efficient market hypothesis, investment contrarian.