

## ABSTRACT

Recent years, many studies have provided evidence that challenge the efficient market hypothesis. These evidence describe as market anomalies. Return reversal phenomenon is one type of market anomalies which refer to stocks that previously included in winner category, eventually will become loser, vice versa. Thus based on the phenomenon, contrarian strategies of holding loser stocks and selling winners are profitable, and the return produced from this strategy are named contrarian profits. Most studies that investigate the return reversals phenomenon address overreaction as the main source of contrarian profits. However, there are also studies that addressed measurement error, time varying market risk, etc. as the source of contrarian profits. This study is aim to investigate the profitability of contrarian strategies and investigate the source of contrarian profits based on the model proposed by Jagadeesh and Titman (1995).

Using purposive sampling method, 220 stocks listed in the Jakarta Stock Exchange (JSX) are obtain as samples, then stocks are sorts into winner and loser categories and assign the stocks in quintiles. The first quintiles are the loser stocks and the fifth quintiles are winner stocks. The difference between loser and winner stocks returns is calculated, and if the results were positive then contrarian profits are generated. The next step is decomposing the profits to investigate the source whether it come from overreaction, lead-lag structure or other risk factors.

The results of this study indicate that contrarian strategies generate contrarian profits although, in average, it is not statistically significant. The magnitude of the monthly return is relatively small. Second, it is observed that firm's size does not influence the persistence of contrarian profits; however the findings also indicate that the magnitude of contrarian profits is tends to be larger in size-sorted contrarian portfolios. The results become more evident in 2003. The result from the decomposition of contrarian profits illustrate that most of contrarian profits is due to overreaction; however market reactions describe as lead-lag structure also contribute, but small, to contrarian profits.

**Key words:** *return reversal, contrarian profit, overreaction, lead-lag structure.*



## INTISARI

Banyak penelitian menunjukkan adanya penyimpangan terhadap konsep pasar modal yang efisien atau yang disebut dengan anomali pasar. Fenomena pembalikan *return* adalah salah satu bentuk anomali pasar, dimana saham-saham *loser* akan berbalik menjadi saham *winner* dan sebaliknya. Berdasarkan adanya fenomena *return reversal*, strategi *contrarian* dimana investor membeli saham-saham *loser* dan menjual saham *winner* dapat memberikan keuntungan. Keuntungan yang didapatkan dari aplikasi strategi *contrarian* dinamakan profit *contrarian*. Berdasarkan beberapa penelitian mengenai fenomena *return reversal*, *overreaction* seringkali merupakan fenomena yang melatarbelakangi profit *contrarian*.

Dengan menggunakan metode *purposive sampling*, diperoleh 220 saham sebagai sample. kemudian saham-saham tersebut dikelompokkan dalam *quintile*. Kategori *quintile* pertama berisi saham-saham *loser* dan *quintile* kelima berisi saham-saham kategori *winner*. Selisih *return* antara portfolio saham *loser* dan *winner* dihitung, jika hasilnya positif maka profit *contrarian* dihasilkan. Langkah selanjutnya adalah menelusuri apakah profit *contrarian* yang dihasilkan dilatarbelakangi oleh *overreaction*, *lead-lag structure* atau faktor resiko lainnya.

Hasil penelitian menunjukkan bahwa strategi *contrarian* menghasilkan profit *contrarian*, meskipun tidak signifikan. Besarnya return bulanan relatif kecil. Kedua, ukuran perusahaan tidak berpengaruh pada dihasilkannya profit *contrarian*. Namun, *return* yang dihasilkan oleh portfolio *size-sorted* cenderung lebih besar. Hasil analisis dekomposisi profit *contrarian* menunjukkan bahwa *overreaction* merupakan fenomena utama yang melatarbelakangi profit *contrarian*. Reaksi saham terhadap pasar juga melatarbelakangi profit *contrarian* namun pengaruhnya relatif kecil.

Kata kunci: pembalikan *return*, profit *contrarian*, *overreaction*, *lead-lag structure*