Market Overreaction at the Beginning of Covid-19 Pandemic Periods in Indonesia Stock Exchange

Ferikawita M. Sembiring¹, V. Santi Paramita²
Fakultas Ekonomi & Bisnis Universitas Jenderal Achmad Yani, Cimahi, Indonesia¹
Fakultas Ekonomi & Bisnis Universitas Jenderal Achmad Yani, Cimahi, Indonesia²

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ABSTRACT

This study aims to determine whether the markets overreaction occurred in Indonesian capital market in the beginning of Covid-19 pandemic periods, especially in Indonesia Stock Exchange. This market overreaction is the one of anomalies in capital market and is opposite the efficient market hypotheses. Bad or good information is a trigger for investors reactions that cause anomalies such as this market overreaction. The information can be sourced from internal and external conditions of the company. The external condition that is currently affecting the national and international economy are the Corona pandemic (Covid-19) which has spread around the end of 2019. Based on the phenomenon occurs, the purposes of this study are to test: (a) Did market overreaction occur in Indonesian capital market in the beginning of Covid-19 pandemic periods? (b) Is a contrarian strategy relevant to be implemented? (c) Does the market risk factor based on the CAPM will affect the abnormal return?

Keywords: CAPM; Market Overreaction; Return Reversal