ABSTRACT

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THE EFFECT OF CHANGES IN KOMPAS100 INDEX CONSTITUTION ON STOCK PRICE, VOLUME AND LIQUIDITY
(+51 pages, 4 pictures, 8 tables, 4 attachments)

In this paper, the author study return of added and deleted stocks from KOMPAS100 Index, one of the index existing in Indonesia. Our sample consists of 102 stocks that were added to KOMPAS100 Index from announcement period of January 2008 through July 2011. The sample of observation also includes 59 stocks that were deleted. This study is using price, volume, and liquidity variable to test the existence of Price Pressure Hypothesis, Imperfect Substitute Hypothesis, and Liquidity Hypothesis. We find evidence of no significant changes in Mean Abnormal Return, Cumulative Abnormal Return, Volume Ratio and Illiquidity that surrounds the event of KOMPAS100 constitution changes. The null hypotheses are accepted that there is no difference of mean in term of price, volume and liquidity before and after index change both in short term and long term. Individual daily test of price, volume and liquidity also shown that the event doesn’t give meaningful impact on the performance of added and deleted companies.

Keywords: Additions, Deletions, KOMPAS 100, Price effects, Volume effects, Liquidity Effects

References : 25 (1986-2010)