

ABSTRACT

The thesis examine the effect of the announcement of Presidential Election 2009 on the Stock Market particularly LQ-45 stocks. The effect is measured by whether or not there is abnormal return, so that investors can use this research results as one of the references in investment decision making, especially in similar political situation.

This research uses event study method. This research select Presidential Election 2009 as the event date. Sources of data used in this research are 45 stocks that include LQ-45 Index from 23 January 2009 until 15 July 2009. Observation period using 110 days, 100 days for estimation period and 10 days for event period (5 days before and 5 days after event date).

The data will be processed using formula developed by Wells (2004). The process and data testing also use t-test for each results of AAR (Average Abnormal Return) before and after the exdate of the period event. The reaction is approximated by abnormal return and average abnormal return between before event date and after event date during the event period.

The results show Presidential Election 2009 influence LQ-45 stocks with various abnormal returns and some of them are negative and generally there are no significant differences of average abnormal return between pre and post Presidential Election 2009 during the event period. By this way, it can be concluded that the Presidential Election does not have information content that can change investor opinion in the Indonesian capital market.