

ABSTRACT

Natural disaster becomes an event that cannot be predicted or can suddenly happen, and Indonesia becomes one of the countries that very vulnerable to natural disasters. Palu Donggala tsunami earthquake in 2018 become one of natural disaster that happens in Indonesia. The event is affecting the IDX's stock after Palu Donggala tsunami earthquake happens is considered as Semistrong-Form of Efficient Market Hypothesis. Semistrong-Form of Efficient Market Hypothesis occurs when current stock market's price is already reflected historical information including all of the published information such as earning, dividend, stock split announcement, and another published event that affect future company's cash flow. Therefore, the purpose of this research was to measure the announcement effect by conducting an event study.

Average abnormal return and cumulative abnormal return was used to measure and compare data before and after Palu Donggala tsunami earthquake happen. Market-adjusted model has been used for this research with 21 days event window. Data that used are secondary, and the data sample is nine insurance companies that listed in IDX. Data analysis technique is using normality test on Kolmogorov-Smirnov and Shapiro-Wilk. While, Paired Sample Test were used for Hypothesis testing to know whether it has a significant difference.

The result on Kolmogorov-Smirnov test shown that average abnormal return and cumulative average abnormal return data is normally distributed. By Paired Sample T-Test, the result of average abnormal return shows that the phenomena are not significantly impact because there is no significant difference on average abnormal return before and after Palu Donggala tsunami earthquake. However, the result of cumulative average abnormal return using Paired Sample Test shows that the phenomena are significantly impact because there is a significant difference in cumulative average abnormal return before and after Palu Donggala tsunami earthquake.

Keywords: *event study, abnormal return, average abnormal return, cumulative average abnormal return, market-adjusted model*