

ABSTRACT

Economic events is one of the factors that can affect the success of the capital market. Policies and economic conditions of a country also affects to other countries, one of them is the devaluation of Yuan affecting capital market reaction in Indonesia. JCI is at the lowest position in comparison with 12 other stock indexes recorded by Bloomberg one day after the announcement of the devaluation of Yuan.

This study aims to analyze the differences of abnormal return, trading volume activity and bid-ask spreads before, during and after the devaluation of Yuan in 2015 with event study approach for 10 days before, the event date, and 10 days after the event.

Data that used in this research is secondary data consist of daily closing stock price, number of shares traded and bid-ask LQ45. Model that used to estimate the expected return on the abnormal return is the market model. The sampling method used is purposive sampling with total sample of 43 companies from LQ45 from February to July 2015 observation period. Data were analyze using paired sample t-test on the normal distribution of data and Wilcoxon test on data that are not normally distributed.

The results showed that there was no differences in abnormal stock return of LQ45 groups before, during and after the announcement of the devaluation of Yuan in 2015. There are significant differences in trading volume activity before and during, during and after, and also before and after the announcement of the devaluation of the Yuan in 2015. There are significant differences in bid-ask spreads before and during, during and after, and also before and after the announcement of the devaluation of the Yuan in 2015.

According to the research, it can be concluded that the devaluation of Yuan economic events contains information that can be absorbed by investors, but it does not look significantly in abnormal return, whereas trading volume activity and bid-ask spreads show significant differences from the effect of the devaluation of Yuan.

Keywords: Event Study, Devaluation of Yuan, Abnormal Return, Trading Volume Activity, Bid-Ask Spreads