

ABSTRACT

The energy sector plays a strategic role in the Indonesian economy, but stock movements in this sector show high volatility compared to other sectors, making it a potential for investors to make optimal investment decisions. This study aims to analyze the determinants of stock returns of energy sector companies listed in the IDXENERGY index in the 2015-2024 period, focusing on the influence of company fundamental variables and macroeconomic factors. The method used is dynamic panel data regression with the Generalized Method of Moments (GMM) approach to overcome endogeneity, autocorrelation problems, and capture the dynamics of return behavior more accurately. The sample consists of 90 energy companies with a total of 594 annual observations. The results show that the fundamental variables Return on Assets (ROA) and Working Capital Turnover (WCTO) have a positive and significant effect on stock returns, while Debt to Equity Ratio (DER), Total Asset Turnover (TATO), and global oil prices show a significant negative effect. Overall, internal company variables are more dominant in explaining return variations than external factors such as inflation and global commodity prices. As a practical contribution, this study designs a quantitative investment strategy based on weighted Z-score of significant variables, which is proven to generate superior portfolio performance with an average return of +9.42%, far outperforming the sector index that declined -25.9%. The findings provide implications for investors and regulators in policy making and risk management in the energy sector.

Keywords: *Dynamic Panel Data, Emerging Markets, Energy Sector, Financial Ratios, Generalized Method of Moments (GMM), Investment Strategy, Stock Returns*