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Pandemic-Era Determinants Of Stock Returns

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ABSTRACT

This study aims to analyze the impact of stock price indices and stock trading volume on stock returns in the ASEAN stock exchanges, taken from a case study during the COVID-19 pandemic from 2019 to 2021. The research data was obtained from the Indonesia Stock Exchange (IDX), Bursa Malaysia (KLSE), and Singapore Exchange (SGX) through Bloomberg, Yahoo Finance, and web crawler applications. The sample used in the study came from 1,848 daily transactions from these three exchanges. The research data was processed and analyzed using SPSS version 25, and the method used was Ordinary Least Square (OLS). The results of this study indicate that there are differences in outcomes caused by stock price indices and stock trading volume on stock returns. Stock price indices have a significant negative effect on stock returns, while stock trading volume has a significant positive effect on stock returns.

Keywords: Composite Stock Price Index, Stock Trading Volume, Market Return, IDX, KLSE

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh indeks harga saham dan volume perdagangan saham terhadap return saham pada bursa saham negara-negara ASEAN yang diambil dari studi kasus pada masa pandemi covid-19 rentang tahun 2019-2021. Data penelitian diperoleh dari bursa efek Bursa Efek Indonesia (IDX), Bursa Efek Malaysia (KLSE), dan Stock Exchange of Singapore (SGX) melalui Bloomberg, Yahoo Finance dan aplikasi web crawler. Sampel yang digunakan dalam penelitian berasal dari 1.848 transaksi harian dari 3 bursa efek negara tersebut. Data penelitian diolah dan dianalisis menggunakan SPSS versi 25 serta metode yang digunakan adalah Ordinary Least Square (OLS). Hasil penelitian ini menampilkan hasil berbeda yang disebabkan oleh indeks harga saham dan volume perdagangan saham terhadap retur saham. Indeks harga saham memberikan efek negatif signifikan terhadap return saham sedangkan volume perdagangan saham memberikan efek positif signifikan terhadap return saham.

Kata Kunci: *Indeks Harga Saham, Volume Perdagangan Saham, Return Saham, IDX, KLSE*

INTRODUCTION

The primary reason people invest is to gain profits. In the concept of investment management, the rate of return on investment is referred to as 'return' (Hermuningsih et al., 2022). According to Samsul, stock returns are the income expressed as a percentage of the initial capital invested, which includes profits from buying and selling stocks, termed capital gain if profitable and capital loss if not (Mangantar et al., 2020).

The urgency of stock returns lies in their function as a motivator for investors to invest, considering that stock investments do not always promise certain returns. Stock returns also serve as a reward for the risks borne by investors, where there is a positive relationship between return and risk; the greater the risk taken, the greater the potential for profit, and vice versa (Riani et al., 2023).

The capital market is a place where various financial instruments, such as stocks, bonds, and mutual funds, are traded (Sasono & Syukri, 2023). Here, companies can seek funds for business expansion, while investors can invest capital to gain profits.

The IDX Composite Index is an important indicator in the Indonesian capital market. It is an index that measures the average price movement of all stocks listed on the Indonesia Stock Exchange (IDX) (Handika et al., 2021). In other words, the IDX Composite Index is a kind of "thermometer" that indicates the temperature of the Indonesian stock market.

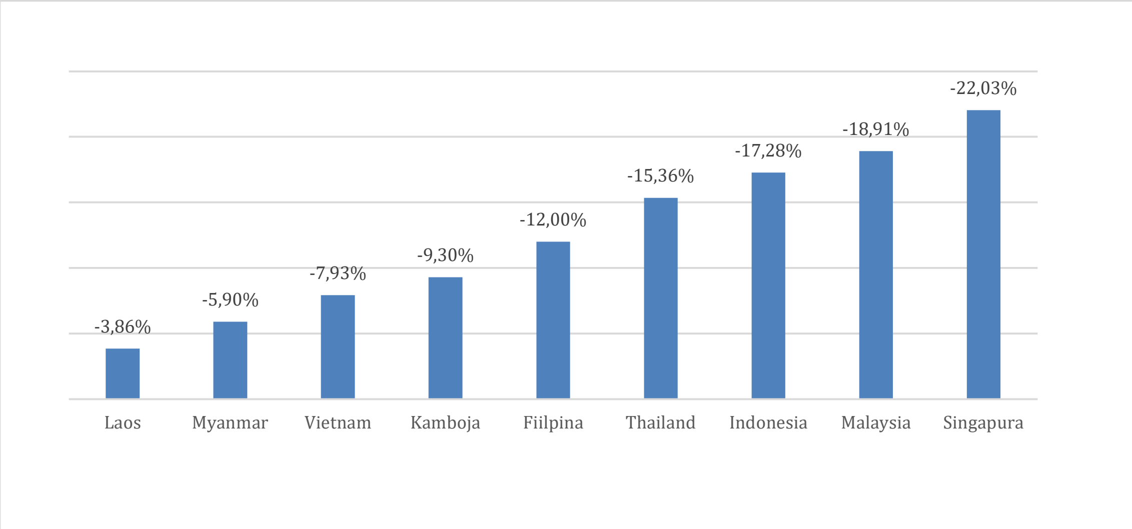
The IDX Composite Index reflects the overall performance of the Indonesian stock market. If the index rises, it means that most stocks on the BEI have increased in price, and vice versa. Many investors use the IDX Composite Index as a benchmark to assess the performance of their investment portfolios. If their portfolio outperforms the IDX Composite Index, it means they have beaten the market. The movement of the IDX Composite Index is often influenced by various economic factors, such as economic growth, inflation rates, and government policies (Primasari1 & Harimurti, 2023). Therefore, the Indonesia Stock Exchange (IDX) can also be used as an indicator of a country's economic health.

In addition to the IDX, which reflects the average stock price, trading volume is also an important indicator in the capital market. Trading volume indicates the number of shares traded over a certain period (Yeni et al., 2021). An increase in the IDX accompanied by an increase in trading volume indicates that the upward trend is strong and supported by many investors. Conversely, if the IDX rises but the trading volume is low, the increase may be temporary or not very significant (Latifah et al., 2020).

An increase in the IDX along with high volume indicates that many investors believe that stock prices will continue to rise. This is like a snowball effect; the more people buy, the higher the price goes. As a result, investors who already own shares will gain higher profits, or what is called stock returns. On the other hand, if the IDX falls and the volume is high, it indicates a selling panic. Many investors want to sell their shares because they fear prices will continue to fall. This condition can cause stock prices to plummet and investors to suffer losses (Rahmadani & Manurung, 2024). The stock values in several global capital markets faced adverse fluctuations due to the Covid-19 pandemic crisis. Countries in Asia, America, and Europe experienced significant declines starting in March 2020. However, the negative turmoil in the capital markets of the Asian region was greater compared to Europe (Yulianti et al., 2022).

In Figure 1, the graph illustrates how the capital markets in ASEAN countries reacted to the development of the Covid-19 pandemic. When the pandemic peak was reached in early 2020, many countries in the region experienced a significant decline in stock indices. Referring to the ASEAN Countries' Capital Market Index Performance Chart of 2020, this research focuses on the stock exchange indices of three countries with the highest average daily decline, namely Indonesia, Malaysia, and Singapore.

Figure 1 Chart of the decline in the performance of stock exchange indices during Covid-19



Source: Kormen Barus (2020)

There are differing opinions on the influence of the Market Price Index and stock trading volume on stock returns. Some studies indicate a positive impact, while others find a negative or insignificant effect. Ashraf's study (2020) specifically highlights the impact of the Covid-19 pandemic on the global stock market, with varying effects across different countries, emphasizing the importance of understanding economic factors during a global health crisis (Ashraf, 2020).

In facing such situations, collective action and rapid response from governments and related institutions in various countries are key to minimizing negative impacts and restoring market stability. This is what sparked the interest in conducting research titled "The Influence of Stock Market Price Index and Trading Volume on Stock Returns in ASEAN Countries (A Study on the Case of the Covid-19 Pandemic)." This study will address two main issues: does the Stock Market Price Index influence Stock Returns? And does Trading Volume influence Stock Returns?

Method

The collected data is cross-sectional, in accordance with the method described by Anderson and Shattuck (2012), which allows for the analysis of variables at a single point in time (Anderson, T., & Shattuck, 2012). In the context of this research, the population includes all countries in the Southeast Asia region that have an active stock exchange, from the initial emergence of the COVID-19 virus to its spread into a pandemic, and up to the period where the ASEAN countries have gradually recovered from this pandemic outbreak. The selection of samples in this study is determined by the following criteria:

The composite stock price index and the daily trading volume of stocks during the COVID-19 period (2019 to 2021) at the Indonesia Stock Exchange (IDX).

The composite stock price index and the daily trading volume of stocks during the COVID-19 period (2019 to 2021) on the Malaysia Stock Exchange (KLSE)

The composite stock price index and the daily stock trading volume during the COVID-19 period (2019 to 2021) on the Singapore Stock Exchange (SGX)

Table 1. Sample Criteria

No	Criteria	Amount
1.	The composite stock price index and the daily trading volume of stocks during the COVID-19 period (2019 to 2021) at the Indonesia Stock Exchange (IDX	605
2.	The composite stock price index and the daily trading volume of stocks during the COVID-19 period (2019 to 2021) on the Malaysia Stock Exchange (KLSE)	615
3.	The composite stock price index and the daily stock trading volume during the COVID-19 period (2019 to 2021) on the Singapore Stock Exchange (SGX)	628
Total		1.848

Simple linear regression is centered on the study of the effect of one independent variable on the dependent variable. Conversely, multiple linear regression involves a more complex analysis by incorporating several independent variables that affect the dependent variable. This aims to measure the extent and direction of the influence of the independent variables on the dependent variable, whether the influence is beneficial or detrimental (Imam Ghozali, 2018).

In this study, multiple linear regression analysis was used to examine the dependent variable (Stock Price Index) to see if it is influenced by the independent variables (Stock Return and Trading Volume Activity). This analysis was conducted by involving one dependent variable (Y1) and two independent variables (X1 and X2).P

Results and Discussion

The Composite Stock Price Index (CSPI) serves as a barometer of the economy in the Indonesian stock market, reflecting the changes in the prices of stocks listed on the Indonesia Stock Exchange. During the COVID-19 pandemic, the CSPI experienced high volatility, with a sharp decline at the beginning of 2020 followed by a gradual recovery, supported by the participation of domestic investors. This phenomenon has attracted investors, including the 'corona generation investors,' to take advantage of the decrease in prices as an investment opportunity.

The belief in economic recovery encourages the purchase of stocks in the hope of gaining profits when market conditions return to normal. In conclusion, the Indonesia Stock Exchange (IDX) not only reflects the current market conditions but also influences investment behavior and strategies amidst economic uncertainty.

The discussion from this study indicates that the trading volume of stocks, which reflects the number of shares traded in a period, is an important indicator of market activity and investor interest. High volume typically signifies strong investor confidence, while low volume may indicate uncertainty or lack of interest.

In 2020, at the onset of the pandemic, there was a significant decrease in the volume of stock trading in Indonesia, reflecting investors' wait-and-see attitude due to market uncertainty caused by the pandemic and the emergence of new COVID-19 variants. However, as time passed and with government policies, the market began to recover. Some stocks even recorded significant increases, indicating that the wait-and-see strategy, in line with Spence's signaling theory, can be an effective approach in dealing with uncertain market situations.

The significance testing in Table 2 indicates that in Indonesia, the independent variable, which is the stock price index, does not have a significant influence on stock returns, with a stock price index beta coefficient of 0.011 and a p-value of 0.802. This suggests the presence of several causative factors, such as the diversification of investors' portfolios, which reduces the sensitivity of stocks to the Composite Stock Price Index (IHSG), or the dominance of company-specific factors in determining stock returns over the general movement of the IHSG. This study is consistent with the research conducted by Putu Ayu Nirmala Kamiana Putri (2019), which states that the Composite Stock Price Index (IHSG) variable does not have a significant influence on stock returns.

Table 2. The results of the hypothesis testing with stock returns as the dependent variable

Variabel Independent	IDN	MLY	SGR
Stocks Prices Indeks	0,011	-0,102*	0,053
Trading Volume Activity	0,094*	-0,014	-0,091*
R2	0,010	0,010	0,012
∆R2	0,006	0,007	0,009
F	2.928*	3.161*	3.709*

Significance testing in Malaysia has shown that the independent variable, namely the Malaysia Stock Price Index (KLCI), has a significant negative influence on stock returns with a stock price index beta coefficient of -0.102 and a p-value of 0.012. This is because investors in Malaysia often use the index as a benchmark for their portfolios; negative movements in the index can trigger stock sales to avoid further losses. Furthermore, fluctuations in the exchange rate affecting the KLCI also cause foreign investors to withdraw their investments, impacting the liquidity and stock returns. Finally, changes in the KLCI can influence the investment decisions of large institutions, whose movements can significantly affect stock returns. This research is consistent with the study conducted by Panji Dwitya Putra Pradnya Handara (2019), which states that the Malaysia Stock Price Index (KLCI) has a significant negative impact on stock returns.

The significance testing results for Singapore indicate that the independent variable, namely the stock price index, does not have a significant influence on stock returns, with a stock price index beta coefficient of 0.053 and a p-value of 0.182. This could be due to several factors. First, Singapore's strong economic diversification and stable monetary policy may help reduce market volatility. Second, investors might have accounted for regional factors in their investment decisions, thus minimizing the impact of index changes. Third, the Singapore stock market has high liquidity, allowing investors to enter and exit positions quickly, reducing potential losses. Fourth, the strong economic integration between Singapore and other countries in the region means that movements in the STI may reflect broader regional conditions rather than just local Singaporean conditions. Therefore, although the STI may influence market sentiment, its impact on individual stock returns may not be as significant as expected. This research is consistent with the study conducted by Lambok DR Tambupulon (2020), which stated that the Singapore Stock Price Index (STI) does not have a significant influence on stock returns.

In Indonesia, the independent variable of stock trading volume has a significant positive effect on stock returns, with a beta coefficient value of 0.094 and a p-value of 0.029. This is because the stock trading volume in Indonesia reflects market liquidity and sentiment. A high volume indicates a strong interest from investors, often associated with positive information about the stock or expectations of good company performance in the future. Additionally, a high trading volume can also reduce transaction costs and increase price efficiency. Research shows that there is a positive relationship between trading volume and stock returns, indicating that stocks with high trading volumes tend to provide better returns to investors. This research is consistent with the study conducted by Ahmad Azmy (2019), which states that the Stock Trading Volume variable has a significant positive influence on stock returns.

For Malaysia, the independent variable of stock trading volume does not have a significant influence on stock returns, with a beta coefficient value of -0.014 and a p-value of 0.732. This confirms that although trading volume can reflect market activity, other factors such as exchange rates and market risk also play an important role in determining stock returns. Other research supports this finding, with Gadang Ganggas Rakasetya Darminto (2023) indicating that the Stock Trading Volume variable in Malaysia does not significantly affect stock returns.

The last study in Singapore showed that the independent variable of stock trading volume has a significant negative effect on stock returns, with a beta coefficient value of 0.094 and a p-value of 0.029. This could indicate massive sell-offs that can cause negative returns. Conversely, low trading volumes may indicate a lack of interest or uncertainty in the market, which can also have a negative impact on returns. Other research supports these findings, with Moch. Dzulkirom AR (2023) demonstrating that the Stock Trading Volume variable in Singapore has a significant negative effect on stock returns.

The Influence of Market Price Index on Market Return

Indonesia and Singapore: The test results indicate that in both countries, the movement of the stock price index does not have a significant influence on stock returns. This means that when the stock price index rises or falls, it does not directly cause a significant increase or decrease in stock returns. This could indicate that other factors, such as investor sentiment, corporate news, or macroeconomic conditions, have a more dominant influence on the stock returns in these two countries.

Malaysia: Conversely, in Malaysia, a significant negative relationship has been found between the stock price index and stock returns. This means that when the stock price index in Malaysia falls, stock returns tend to rise, and vice versa. This phenomenon is quite unique and warrants further investigation to understand its causes. Most likely, there are specific factors in the Malaysian stock market that cause this inverse relationship.

The Influence of Stock Trading Volume on Market Return

Indonesia: In Indonesia, the volume of stock trading has a significant positive influence on stock returns. This means that the higher the trading volume, the higher the stock returns obtained by investors. It indicates that in Indonesia, high trading activity is often accompanied by an increase in stock prices, which ultimately will increase the investor's return.

Malaysia and Singapore: In both of these countries, the trading volume does not have a significant influence on stock returns. This indicates that in Malaysia and Singapore, other factors besides trading volume, such as market liquidity or market efficiency, play a more significant role in determining stock returns.

Conclusion

The findings of this study conclude that the role of stock price indexes varies across countries. In Indonesia and Singapore, stock price indexes are not the primary determinants of investor profits, while in Malaysia, the situation is reversed. External factors, such as disasters or political events, can create significant uncertainty in the stock market and influence index movements across all three countries. The importance of trading volume also differs; in Indonesia, a high trading volume often signals a positive indicator for investors, whereas in Malaysia, its impact is less significant.

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