THE EFFECTS OF MICRO AND MACRO FUNDAMENTAL FACTORS ON STOCK RETURN CONSUMER GOODS SECTOR IN INDONESIA STOCK EXCHANGE (2007-2011)

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ABSTRACT

This research examines the effects between micro and macro fundamental factors on the stock return of samples stock prices (2007-2011) in Indonesia. The data was collected from a carefully compiled sample of public firms in Indonesia Stock Exchange Consumer Goods Sector. After considering a number of alternatives, Structural Equation Model was selected to quantify the latent variable scores for both micro and macro fundamental factors before conducting the multiple regression analysis. The observed variables were used to generate latent variable scores with micro fundamental factors consisting of Return on Asset (ROA), Current ratio (CR), and Debt to Equity Ratio (D/E) as the observed variables, while the macro fundamental factors consisting of GDP per Capita growth, inflation rate, and national palm oil price growth. The dependent variable in this research is stock return.

The findings would be useful in fundamental analysis theory, as the study explores this relationship among the variables. The results of this study may assist investors and fund managers in identifying information which has an impact on stock return in consumer goods industry. Overall, coefficient of regression analysis showed that partially the micro fundamental factors have significant effect while macro fundamental factors have insignificant effect on stock return. Further analysis, micro and macro fundamental factors observed in this study explain around 12.8% variance on stock return based on the coefficient of multiple determinations analysis.

Keywords: stock return, micro fundamental factors, macro fundamental factors, consumer goods companies.

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