

EVALUATING THE ACCURACY OF STOCK ANALYSTS' RECOMMENDATIONS PUBLISHED IN BISNIS INDONESIA NEWSPAPER[†]

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ABSTRACT

Many investors have not enough knowledge, skill, and time to learn which stocks are the candidate to buy or sell. A stock analyst provides recommendation and help investors to make buy or sell decision. The purpose of this study is to investigate the stock analysts' recommendation accuracy published in Bisnis Indonesia daily newspaper. The data used in this research is analysts' recommendation published in Bisnis Indonesia along the year 2005. There are 1,196 buy recommendations, 500 sell recommendations, and 649 price recommendations; released by six security companies. The technique used to measure the accuracy of price prediction is the Chi Square and to measure the accuracy of recommendation to sell or buy is Wilcoxon Match Pair Test. The result shows that the stock price and recommendation to sell tend to be inaccurate while recommendation to buy tends to be accurate.

Keywords: recommendation accuracy, stock analyst, price recommendation, recommendation to sell, recommendation to buy

1. INTRODUCTION

The rapid development of the Indonesian financial market in recent years enables investors to choose various investment instruments. One among the alternatives which have been growing rapidly and becoming more popular for the last decade is investment in stock. The Capital Market Supervisory Agency reported that during the period 1995-2005, stock exchanges in Indonesia recorded an average annual increase of 12.76 percent in term of indices (Indonesian Capital Market Master Plan 2005-2009). In the Jakarta Stock Exchange, alone in 2005, the indices increased as high as 16.20 percent from 1,000.87 to 1,162.35. The market capitalization achieved the value of 710,433,652 million rupiah, grew for around 259 percent in five year period. The average trading volume was 73 million shares per day, around twice as high the average volume from five year period before. There were around 207 companies' shares listed and around

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