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Sell in May and Go Away in Small & Big Companies on Indonesia Stock Exchange

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Research Highlights

The study was conducted to prove the occurrence of market abnormalities phenomena, namely, sell in may and go away on the Indonesian Stock Exchange (IDX). By distinguishing stocks based on their size from stock prices as indicators, it is expected to see more accurate results in revealing this phenomenon. The hypothesis in this study is that there are differences in stock returns in May-October and November-April. The results of the study prove that there are no differences in stock returns in May-October and in November-April both in small companies and large companies. Although it is proven that there is no sell in may affect and go away on the IDX, the difference in average stock returns in May-October and Nov-April in small companies is -1.56%, indicating that small companies have a negative average return. While the difference in the average return of large companies in May-Oct and Nov-Apr is 0.09%.

Research Objectives

This study aims to determine the differences in stock returns in May-October and stock returns in November-April in small companies and large companies on the Indonesia Stock Exchange. The theoretical benefits in this study are to prove the phenomenon of sell in May and go away on the Indonesia Stock Exchange.

The practical benefits of this study are:

1. For all investors related to the Indonesia Stock Exchange, this study can provide answers to the truth of the "sell in May and go away" phenomenon so that it can improve the level of portfolio investment returns and reduce capital loss when investing in the Indonesia Stock Exchange

2. For companies can provide an overview of the condition of stock prices, especially in the worst months of stocks that can affect the value of the company so that it is taken into consideration in conducting fiscal policy going forward.

3. For the government, as material for consideration and reference in making capital market regulations and policies related to this specifically in the worst months of the stock (May-October).

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Methodology

The population of this study is that all companies listed on the Indonesia Stock Exchange registered from 2015 to 2017 amounted to 582 company shares. Of the 582 shares, 394 were used as research samples divided into two categories; small companies with stock prices below 481 rupiahs in 2015-2016 and below 555 rupiah in 2016-2017 and large companies with prices above the small company limit. This study uses 67.7% of companies on the Indonesia Stock Exchange, the remainder is extracted from research samples by reason; 9.1% of new shares registered before the study period (May 2015); 1.9% of companies are delisted from IDX; 0.5% of preferred company shares; 20.8% of companies that are illiquid. To see the difference in the two independent samples, namely stock returns in May-October and stock returns in November-April 2015-2017 period, the Z test is used through the Independent Sample t-test in SPSS.

Results

After testing the value of Z statistically through the independent sample t-test, the variance of small firms is not significant (0.75; > 0.05) which means that the stock return variance in May-October and November-April are the same. For large companies, where the variance value is 0.085; not significant with a large value of 0.05. Based on the variance, differences can be determined between the two samples with the t-test by looking at the equal variances assumed.

Based on the results of the test t-test, the calculated t value of the Equal variance assumed for small companies is -1.12 (sig = 0.263) and large companies are 0.067 (sig = 0.47). Because the probability value is > 0.05, there is no difference in returns May- October and from November-April for (2015-2017) in small companies and large companies on the IDX.

Even though there is no significant difference between the return May-October and the return of Nov-Apr, the mean difference indicates that the average small company has a negative rate of return and the difference in return between May-October and November-April is greater (mean difference = -1.5) and large companies have a positive average return (mean difference = 0.099).

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Findings

This study directed the Indonesia Stock Exchange to the efficient market hypothesis with no "sell in May and go away" events. Dichtl and Drobetz (2015) also explained the sell in May and go away effects as the Halloween Effect which weakened throughout the year and even disappeared in recent years. The results of this study also prove the trend of changes in stock returns over the last 15 years especially in the Indonesia Stock Exchange which was once examined by Bouman and Jacobsen (2002) which explained that previously the sell in May and go away occurred on the IDX.

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