ABSTRACT

Investing in stocks is a form of investment that many investors. In stock investing investors expect high returns. When the high expected return, the higher the risk borne by the investor. Therefore, in making an investment decision stocks, investors need to pay attention to trends or stock movements. Fluctuation in stock movements that are not constantly showing high volatility or contain heteroskedasticity. In order to overcome the problem of heteroskedasticity it can be used to GARCH in which this model can model an inconstant residual variance. In addition to the problem of heteroskedasticity the stock price change was also influenced by good news and bad news, or contains a leverage effect. In order to overcome this problem, it can be used EGARCH models for forecasting stock prices in the future. So that the investors can predict the return that would be obtained and the risk borne. This study examines the results of model estimation EGARCH, and then compare it with the GARCH model to select the best model in forecasting the stock price in the future. Population in this study is a company in the sub sector for food and beverage listed on the Indonesia Stock Exchange in 2010 to 2015. The sampling technique uses a purposive sampling and obtained 8 companies that is included with the period of 5 years. The result of EGARCH research shows that the model is better than the GARCH seen from the Mean Absolute Percentage Error (MAPE) that is smaller than GARCH.

Keywords: Heteroskidasticity, asymmetrical, Volatility, EGARCH, GARCH.