

ABSTRACT

Right issue is an event that's related to information's publication as an announcement and can be used to observe the market reaction. Right issue is done to provide an opportunity for exiting shareholders to maintain its ownership percentage. The announcement of right issue may lead the market to react and effect the performance of the stock.

Theoretically, the market reaction is measured by abnormal return and trading volume activity. This research used paired sample t-test to examine the effect of right issue's announcement to the abnormal return and used wilcoxon signed rank test to examine the effect of right issues's announcement to the trading volume activity.

The objective of this research is to verify empirically that the behavior of stock prices and trading volume activity differ significantly around the issue day of right issue. This research examines 30 companies which announced right issue in Indonesia Stock Exchange during 2013-2015. The observation period was five days before and five days after the announcement's period.

In this research, information of right issue announcement had resulted in the stock market to react negatively wich is reflected in the decreasing of stock price/return and increasing trading activity around the announcement day.

The result showed that the right issue's announcement affect significantly to the abnormal return and trading volume activity.

Keywords: right issue, abnormal return, trading volume activity