

ABSTRACT

Trade war phenomenon between U.S and China become the endless topics. As the world biggest economies in the world the U.S and China have big role in the world economy. The regulation that implemented in their countries will give positive nor negative impact to countries around the world including Indonesia.

The aim of this research is to examine the effect of one trade war phenomena which is on July 6th, 2018 Trump officially imposed an additional import duty of 25% for 818 Chinese products. Then continued with China gives 25% for 659 US products. This mutual revenge made the global economic situation more uncertain. As result, investors' concerns increased.

The sample of this research took 26 sample. The sample is came from 26 companies out of 45 companies available in population with qualification the company should be listed in LQ-45 consistently for two period which is February 2018-July 2018 and August 2018-January 2019 and didn't do any corporate actions on $t-3$ until $t + 3$. The data collection gathered are secondary data taken from www.idx.com and <https://finance.yahoo.com/>

This research operates two variables which is Average Abnormal Return (AAR) and Cumulative Average Abnormal Return (CAAR). AAR and CAAR were used to measure and compare data before, at the moment, and after the phenomenon of trade war. Market-adjusted model used for 3 days before until 3 days after the phenomenon. The time period of this research is 7-days (3 days before phenomenon, at the moment and 3 days after phenomenon).

According to the research findings, using the Kolmogorov-Smirnov test results show that the data are normally distributed. The variances between data group is homogeneous. Then using One-Way ANOVA influence on AAR is significant while CAAR is not significant.

Keywords: LQ-45, Market Reaction, Trade War Phenomenon, Macroeconomy, Event Study.