

ABSTRACT

The Federal Reserve (The Fed) interest rate cut is a significant monetary policy in influencing the dynamics of global financial markets, including capital markets in Indonesia. The policy is carried out to encourage economic growth by increasing liquidity and purchasing power. In the context of the capital market, this government policy announcement is one of the important information that can influence investor behavior, by creating changes in stock prices, and determining the direction of the market index.

This study aims to analyze the differences in the reaction of the Indonesian capital market before and after the announcement of the Fed's interest rate cut on abnormal returns and trading volume activity, which reflect investors' response to new globally relevant information.

This study uses an event study approach with an 11-day event window, which is divided into 5 days before the event, during the event, and 5 days after the event in the LQ45 stock index group for the period August 1, 2024 - January 31, 2025.

This study was conducted with a sample technique in the form of total sampling of 45 sample companies. Hypothesis testing in the form of Wilcoxon Signed Ranks Test. The data used in this study is secondary data in the form of closed price shares and stock trading volume during the research event period.

The results of this study indicate that there are significant differences in abnormal stock returns and trading volume activity in LQ45 index group companies before and after the announcement of the Fed rate cut. This provides a positive response and picture that events have information content that can affect investors' interest and understanding to invest and conduct stock transactions.

Keywords: *investment, LQ45 stock index, event study, abnormal return, trading volume activity*