REAKSI PASAR TERHADAP KESEPAKATAN DAGANG AS-TIONGKOK TAHUN 2019

MARKET REACTION ON THE US-CHINA TRADE AGREEMENT 2019

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Abstrak: Reaksi Pasar Terhadap Kesepakatan Dagang As-Tiongkok Tahun 2019. *Penelitian ini bertujuan untuk mengetahui apakah terdapat perbedaan pada* average trading volume activity *dan* average abnormal return *pada sebelum dan sesudah pengumuman kesepakatan dagang fase 1 antara AS – Tiongkok di tahun 2019. Penelitian ini terbatas pada 11 hari periode jendela, yaitu 5 hari sebelum peristiwa, hari peristiwa, dan 5 hari setelah peristiwa. Metode* purposive sampling *digunakan untuk menentukan ukuran sampel sebanyak 42 perusahaan yang memenuhi kriteria sampel. Analisis data yang digunakan untuk menjawab hipotesis yaitu* Wilcoxon Signed Ranks Test. *Hasil penelitian ini menunjukkan bahwa terdapat perbedaan signifikan pada* average trading volume activity p*ada sebelum dan sesudah peristiwa pengumuman kesepakatan dagang fase 1 antara AS – Tiongkok. Hasil ini menunjukkan bahwa pengumuman kesepakan dagang antara AS – Tiongkok telah memberikan sinyal positif kepada investor di pasar modal Indonesia*, *yang ditunjukkan dengan peningkatan* trading volume activity *setelah pengumuman. Namun, tidak terdapat perbedaan signifikan pada* average abnormal return *sebelum dan sesudah peristiwa. Hasil ini menunjukkan bahwa investor di pasar modal Indonesia tidak mendapatkan* abnormal returns *pada sekitar periode peristiwa.*

Kata kunci: *perang dagang, pasar modal*, trading volume activity, return *saham*, abnormal return

Abstract: Market Reaction on The Us-China Trade Agreement 2019. This study aims to find out whether there are differences in average trading volume activity and average abnormal return before and after the announcement of The US – China trade agreement phase 1 in 2019. This study was limited to 11 days windows period, which are 5 days before the event, the day of the event, and 5 days after the event. The purposive sampling method was used to determine the sample size of 42 companies that met the sample criteria. Data analysis method used to answer hypotheses is Wilcoxon Signed Ranks Test. The results of this study indicate that there are significant differences in average trading volume activity before and after the announcement of the US – China trade agreement phase 1. This result indicates that the announcement of the US – China trade has given positive signal to the investors in Indonesia capital market, indicated by the increase of trading volume activity after the announcement. However, there are no significant differences in average abnormal return before and after the event. This result indicates that investors in Indonesia capital market did not get abnormal returns around the period of the event

Keywords*:* trade war, capital market, trading volume activity, stock return, abnormal return

INTRODUCTION

The world economy is experiencing a rapid progress in the era of free trade. World's GDP (Gross Domestic Product) in 2018 reported by International Monetary Fund (IMF) reached nearly US $ 86 trillion. United States of America (US) and China

ranked first and second as countries with the biggest GDP in the world with US $ 20.5 trillion for US and US $ 13.6 trillion for China (IMF: 2018). The GDPs of both countries covered 40% of world's GDP, bringing the US and China as world economics leaders.

As two countries leading in the world economy, the US and China share a close trade relation. Reported by China, the US is China's biggest export market with an export value of nearly US $ 480 billion which covers 19.23% of China's total export value in 2018 (Word Bank: 2018). Despite having close trade relations, export-import between the US and China created a large deficit for the US. In 2018, China contributed at least 46% of the total deficit owned by the US. According to the data reported by the US to World Bank (2018), the US trade deficit with China in 2018 reached US $ 443 billion which is the US's largest deficit since the two countries entered into trade cooperation. Over the past 10 years, the US trade balance with China has experienced a deficit increase from US $ 240 billion in 2009 to US $ 443 billion in 2018.

Table 1. Export-Import between the US and China from 2009-2018, in US Perspective (in million US $)

Year	US's Export to China	US's Import from China	Trade Balance
2009	69,575.61	309,530.23	(239,954.62)
2010	91,910.98	382,964.82	(291,053.84)
2011	104,121.38	417,340.26	(313,218.88)
2012	110,516.54	425,557.37	(315,040.84)
2013	121,721.08	440,351.80	(318,630.73)
2014	123,675.62	486,296.24	(362,620.62)
2015	116,071.71	504,028.12	(387,956.41)
2016	115,594.77	481,310.45	(365,715.68)
2017	129,797.52	525,764.71	(395,967.20)
2018	120,147.87	563,203.12	(443,055.25)

Source: World Bank 2018, data reported by the US

The huge deficit of US's trade balance has become a serious concern of the US President, Donald Trump. On March 31, 2017, Trump ordered a review of the US trade deficit and its causes. A trade war broke out when Trump, famous for his campaign "Make America Great Again", made a policy to impose import tariffs for US $ 60 billion goods from China in the form of steel and aluminum on March 8, 2018 (www.kontan.co.id).

The protectionism measure taken by Trump was intended to reduce the US trade balance deficit with China (Hosain & Hossain: 2019). According to Liu & Woo (2018), there are three main factors driving the US to start a trade war with China: 1) the concern that China's large trade surplus was depressing job creation in the US, 2) the concern that China is using illegal and unjust methods to acquire US technology at discounted prices, and 3) the concern that China is trying to weaken the US national security and its position in the international world.

The US's move to reduce the trade deficit by raising import tariffs has triggered China to counteract by raising tariffs by 25% on pork products and aluminum scraps on April 2, 2018. China also imposed a 15% tariff on 120 other US commodities. The two countries continued to attack each other by imposing new import tariffs in 2018-2019, increasing world concerns.

The tension of the trade war began to decline when the US and China reached a trade agreement phase 1 on December 13th, 2019. In the agreement, the US suspended import tariff on China which should take effect on December 15, 2019. Although the trade agreement phase 1 would only be signed in January 2020, the announcement has given a positive sentiment to the capital market. This can be seen in the Dow Jones Index which rose 0.7% to 28,116.48. Meanwhile S & 500 and Nasdaq rose 0.6% respectively to 3,160.35 and 8,701.82 (www.cnbcindonesia.com). Asian stock markets also showed positive sentiment after the announcement and even reached the highest level for the past 8 months. The Shanghai Composite Index advanced 0.56 %, while CSI 300 Index advanced 0.49%. The S&P/ASX 200 Index of Australia led with a 1.63% surge. Meanwhile, the Indeks Harga Saham Gabungan (IHSG) strengthened when it opened on December 16, 2019. IHSG continued to strengthen to the level of 6,225 or 0.45% on the second opening.

Both countries have had the negative effect of the tariff war they committed. Some researchers such as Li et.al. (2018), Moeller (2018), Zhu et.al. (2018), Carvalho et,al. (2019), Evans (2019), Putri and Suhadak (2019), Raghavan and Devadason (2019), and Sun et.al. (2019) have conducted studies on the effects and influences of the trade war between the US and China.

Raghavan and Devadason (2019) examined the impact of the US-China trade war on 5 capital markets in ASEAN. The results of the study show that the impact of the US-China trade war on the five capital markets in ASEAN is stronger than the events of the Asian financial crisis, the increasing cumulative impact of China's shock on ASEAN is the same as the growing trade relations and trade intensity between ASEAN and China, as well as the US and China is a dominant growth driver for ASEAN partners with weak trade.

Indonesia as member of ASEAN shares a close trade relation with China and the US. According to the export-import data from Badan Pusat Statistik (BPS), China contributed at least US $ 27 billion or 15.1% of total exports made by Indonesia, while the US contributed more than US $ 18 billion or 10.2% of total exports made by Indonesia in 2018. Indonesia imported US $ 45.5 billion of China's goods in 2018 that covered at least 24.1% of total imports made by Indonesia. On the other hand, the US controlled at least

5.4% of total imports made by Indonesia in 2018

According to Trisnawati (2011) Indonesia is a country that has a high country risk/political risk, and Indonesian capital market is much influenced by external sentiment, especially the US economic policy. According to Samsul (2006) in Trisnawati (2011), there are 14 factors that affect the stock prices, which are 1) the announcement of cash dividend, 2) the announcement of stock split, 3) the announcement of right issue, 4) the announcement of stock bonus or stock dividend, 5) the announcement of warrant, 6) merger and acquisition plans, 7) conflict of interest transactions plan, 8) changes in macro and micro economics variable, 9) international politic events, 10) the movement of Index DJIA, Nikkei 225, Hang Seng, 11) national politic events, 12) January effects, 13) insider information, and 14) changes in economic cycle through leading indicator. The trade agreement phase 1 can give positive impact to Indonesia economics. The demand for commodities may increase and boost Indonesia's exports. The changes in macro economics variables as the result of trade agreement can have a potential effect to Indonesia capital market. The potential effect is in the form of significant increase of the stock prices. The announcement of the US-China trade agreement phase 1 also caused a significant increase in the Dow Jones Index. As one of factors that can influence the stock prices in IDX, the movement of Dow Jones Index as a result of trade agreement can give potential effect to stock prices in IDX.

The announcement of the US-China trade agreement phase 1 marked the peace of the two countries after mutually tariff attacks. Researcher consider the announcement of the US-China trade agreement phase 1 is important to examine the effect on the capital market because this event marked a trade peace between the US and China.

Based on the background description, the researcher is interested in linking trade agreement between the US and China for trading volume activity and abnormal return in companies listed on the Indonesia Stock Exchange (IDX) using the variable of ATVA and AAR to the sample of Index LQ-45. For this reason, researcher is interested in conducting further research under the title "MARKET REACTION ON THE U.S. – CHINA TRADE AGREEMENT 2019".

LITERATURE REVIEW

Capital Market

Capital market is a meeting place between buyers and sellers with profit and loss risk (Jogiyanto, 2010: 29). Capital market can also be defined as a long-term trading of financial instruments (securities), both in the form of own capital (stocks) and debt (bonds), both issued by the government (public authorities) and by private companies

(private sectors) (Fakhruddin, 2008: 136). According to Darmadji & Fakhruddin (2006: 1), the capital market is a market for a variety of long-term financial instruments that can be traded, both in the form of debt, equity (shares), derivative instruments, and other instruments.

Trade War

A trade war is an increase in import duty rates between countries experiencing trade conflicts (Anggraeni, 2019). In line with Anggraeni, Evans (2019) defines trade war as an economic conflict arising from the existence of extreme protectionism where the state raises or makes tariffs (or other trade barriers) to other countries as a form of retaliation against trade barriers created by other countries. According to Zhang (2018) a trade war is seen as something out of the ordinary that can have a wide-ranging impact on the monetary, financial and political fields. Trade wars can also have harmful consequences such as the closure of companies, unemployment, currency crises, deglobalization and global depression.

Event Study

According to Tandelilin (2007), an event study is a study that observes the impact of information announcements on the price of securities. Event studies can be used to see capital market reactions (with stock price movements approach) to certain events (Sukirno, 2003). The study of events in the capital market is a study to analyze the impact of an event on the capital market of a country which is carried out empirically (Suganda, 2018). Event studies analyze abnormal returns (abnormal returns) of securities that may occur around the announcement of an event (Jogiyanto, 2010: 579). According to Dewi and Artini (2013), event study specifically investigates market respond to the information content of an announcement or certain published event.

Efficient Market Theory

Market efficiency is defined by Beaver (1989) in (Jogiyanto, 2010: 528) as the relationship between the prices of securities with information. Efficient markets are conditions where the market reacts quickly and accurately to achieve new equilibrium prices that fully reflect the available information (Jogiyanto, 2010: 517). The efficient market hypothesis is a situation where the market is in an efficient condition, that is, the stock price reflects all the information that is available quickly and accurately (Sukirno, 2003). According to Gumanti and Utami (2002), markets can be said to be efficient if no one, both individual investors and institutional investors, is able to obtain abnormal returns, after adjusting for risk, using existing trading strategies.

Information Content

Information is considered informative if that information has the ability to change the decision makers believes (Trisnawati, 2011). According to Natasya and Suganda (2013), circulated information is considered to have meaningful information content when the information is responded by investors and results in changes in stock prices. The hypothesis of market efficiency predicts that market will respond positively to good news, and respond negatively to bad news (Dewi and Artini, 2013).

Trading Volume Activity (TVA)

Trading volume is the number of transactions traded at a certain time (Indarti and Purba, 2011). Stock trading activity or Trading Volume Activity (TVA) is an instrument that can be used to test capital market reactions to information or events (Budiyanto et.al., 2006). Stocks with large trading volume indicate that these shares are actively traded and favored by investors (Ambarwati, 2008). The increasing volume of supply and demand for a stock, the greater its influence on fluctuations in stock prices on the stock exchange, and the increasing volume of stock trading shows the more desirable of these shares by the public so that it will bring an effect on rising stock prices or returns (Indarti and Purba, 2011). TVA can be stated with the following equation (Husnan et.al, 1996):

$$TVA_{i,t} = \frac{\sum Company's\ share-i\ traded\ at\ time-\ t}{\sum\ Company's\ share-i\ outstanding\ at\ time-\ t}$$

Notation:

$TVA_{i,t}$ = Trading Volume Activity of company's share-i at time-t

i = Company name

t = Time

Abnormal Return

Abnormal return is the difference between the actual return that occurs with the expected return (Jogiyanto, 2010: 580). Here is a formula for calculating abnormal returns:

$$AR_{i.t} = R_{i.t} - E\,[R_{i.t}]$$

Notation:

$AR_{i.t}$ = abnormal return for security-i on event period-t

$R_{i.t}$ = return realization that occurs for security-i on event period-t

$E\,[R_{i.t}]$ = expected return for security-i on event period-t

Index LQ-45

The Index LQ-45 began on July 13th, 1994. The Index LQ-45 is a stock selected based on stock trading liquidity and is adjusted every six months (Halim, 2005: 13). This index is formed from 45 stocks that are most actively traded (Jogiyanto, 2010: 106).

Share/Stock

Shares or stocks are securities that can be bought or sold by individuals or institutions

in the market place where the shares are traded (Hadi, 2013: 67). Shares can be interpreted as a sign of ownership of a person or entity in a company or limited liability company (Darmadji & Fakhruddin, 2006: 6). Stocks are divided into several types, namely:

a. Common Stock

Common stock is a capital security that represents ownership in a company (Hirschey and Nofsinger, 2010: 06). Shareholders are owners of companies that appoint management to carry out company operations (Jogiyanto, 2010: 116).

b. Preferred Stock

Preferred stocks are shares that have a combination of bonds and ordinary shares (Jogiyanto, 2010: 111). So called because compared to ordinary shares, preferred shares have rights to fixed dividends and payment rights in advance if there is liquidation. In the case of liquidation, the claims of preferred shareholders are below the claims of the bondholders.

c. Treasury Stock

Treasury stocks are company shares that have been issued and circulated which are then repurchased by the company to be stored as treasury which can later be resold (Jogiyanto: 2010).

Research Paradigm

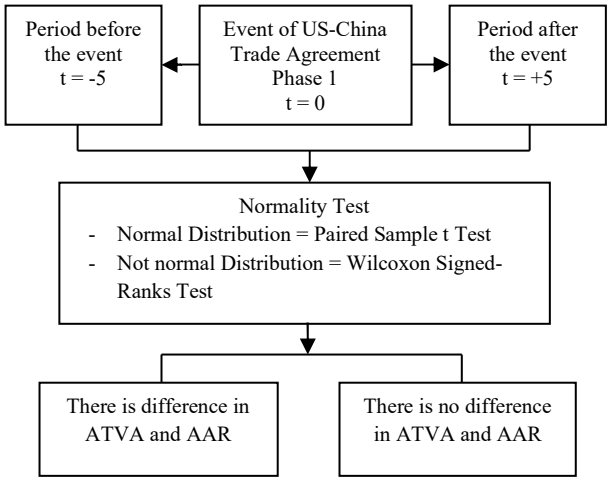

Figure 1. Research Paradigm

Research Hypotheses

$\mathbf{H_1}$ **:** There is a difference in the average trading volume activity of companies' shares listed on the Index LQ-45 before and after the US – China trade agreement phase 1

$\mathbf{H_2}$ **:** There is a difference in the average abnormal return of companies' shares listed on the Index LQ-45 before and after the US – China trade agreement phase 1

RESEARCH METHODOLOGY

Research Design

This research is a type of event study research. Event studies are studies that study the market reaction to an event whose information is published as an announcement (Sukirno: 2003). The event under study is the US – China trade agreement phase 1, which

information was published on December 13, 2019.

This study examined the difference of ATVA and AAR 5 days before and 5 days after the event in the windows period. Suryawijaya and Setiawan (1998) conducted event study with two methods of analysis: the event study methodology for analyzing the market reactions, and the analysis of statistical differences caused by the event (i.e. the difference between two means methods used to explore market activity). Most recent studies in the Indonesia capital market used analysis of statistical difference caused by the event in the windows period i.e. Wardhani (2012), Respati (2014), Wibowo (2016), Arde and Kesuma (2017), Suganda (2018), and Satryo and Wijayanto (2019). Given the time limitation to conduct the study, the researcher chose the difference between two means method because the data analysis can be conducted concisely without measuring the estimation period.

Place and Time of Research

This research was conducted at the Indonesia Stock Exchange (IDX). The study was conducted during the span of January - March 2020.

Population, Sample, and Windows Period

The population in this study is the company's shares listed on the Indonesia Stock Exchange (IDX). The sample in this study is stocks listed in the LQ-45 Index. The selection of the Index LQ-45 as a sample is because the stocks listed in the Index LQ-45 are selected stocks with high liquidity and are most frequently traded. The research based on event study requires companies with high liquidity so that the effects of an economic event can be measured immediately and provide relatively accurate results (Meidawati and Harimawan, 2004). According to statistic data from IDX in December 2019, the trading volume of those stocks listed on the Index LQ45 covered at least 70% of total trading in IDX and the market capitalization of Index LQ45 covered 53% of total IDX market capitalization. The high liquidity of Index LQ45 is supposed to be able to measure the effect of trade agreement on the Indonesia stock exchange. The high market capitalization of Index LQ45 is supposed to able to represent the population of stocks listed on the IDX.

The method used to determine the sample is purposive sampling method. This method was chosen because the determination of the sample considers several criteria, which are:

a) company stock registered in the LQ-45 Index during the research period,
b) company that did not experience suspension or delisting during the research period,
c) company that did not take any corporate action during the research period.

After considering several criteria, the samples obtained were 42 samples. The determination of the windows period bases on a judgment about how long the market took to react on how long the unusually high or low return persisted (Krivin et.al: 2003). The researcher observed unusual returns on the following day after the event using ad hoc approach. Based on the observation conducted, the unusual returns occur on the day of the event and 5 days following the announcement of the US-China trade agreement. On the 6th and 7th day following the event, the returns were close to zero. Based on the observation result, the researcher suspected that the reaction lasted five days after the announcement of the trade agreement. Therefore, the window period chosen is 11 days, 5 days before the event (T-5), the day of the event (T0), and 5 days after the event (T + 5). The window period in this study can be seen in the following figure:

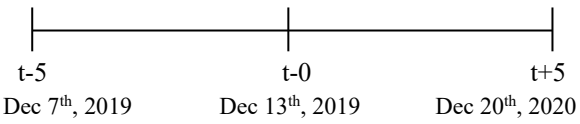

Figure 2. Windows Period

Data Collection Technique

The data collection technique used in this study is the documentation method by taking secondary data. Company data is obtained from the IDX's official website, www.idx.co.id. While the company's stock price data and IHSG were obtained from the Yahoo Finance website, www.finance.yahoo.com. Data collected in this study are:

1. List of company shares included in the Index LQ-45 for the period August 2019 – January 2020 obtained from www.idx.co.id.
2. Daily share price data of each company during the research period. Data were obtained from www.finance.yahoo.com.
3. Daily stock price data of IHSG during the research period.
4. Daily data on the volume of shares traded for each company during the research period
5. Data on the number of outstanding shares per company during the research period.

Research Variables

Average Trading Volume Activity (ATVA)

1. Calculating the TVA of each share

   TVA is calculated using this following formula (Husnan et.al: 1996):

$$TVA_{i,t} = \frac{\sum Company's\ share{-}i\ traded\ at\ time{-}\ t}{\sum\ Company's\ share{-}i\ outstanding\ at\ time{-}\ t}$$

Notation:

$TVA_{i,t}$ = Trading Volume Activity of company's security-i at time-t

i = Company name

t = Time

2. Calculating ATVA of each share

   The formulas used to calculate ATVA of each share are as follows (Suryawijaya and Setiawan, 1998):

   $ATVA_i$ before = $\frac{\sum_{j=t-5}^{t-1} TVA_{i,t\ before}}{T}$

   $ATVA_i$ at time = $\frac{\sum_{j=t0}^{t0} TVA_{i,t\ at\ time}}{T}$

   $ATVA_i$ after = $\frac{\sum_{j=t+1}^{t+5} TAV_{i,t\ after}}{T}$

   Notation:

   $TVA_{i.t}$ = Trading Volume Activity of company's security-i at time-t

   T = the amount of t

Average Abnormal Return (AAR)

1. Calculating the realized return of each stock

   Realized returns can be calculated by the following formula (Jogiyanto, 2010: 580):

   $$R_{i,t} = \frac{(P_{i,t} - P_{i,t-1})}{P_{i,t-1}}$$

   Notation :

   $R_{i,t}$ = actual return security-i at time-t

   $P_{i,t}$ = price of security-i at period-t

   $P_{i,t-1}$ = price of security-i at period-t-1

2. Calculating expected return

   $$E\left[R_{i,t}\right] = R_{m,t}$$

   $$R_{m,t} = \frac{(IHSG_t - IHSG_{t-1})}{IHSG_{t-1}}$$

   Notation :

   $E\left[R_{i,t}\right]$ = expected return of share

   $R_{m,t}$ = market expected return

   $IHSG_t$ = IHSG at time-t

   $IHSG_{t-1}$ = IHSG at time- t-1

3. Calculating abnormal return

   $$RTN_{i.t} = R_{i.t} - E\left[R_{i.t}\right]$$

   Notation:

   $AR_{i.t}$ = abnormal return for security-i on event period-t

   $R_{i.t}$ = return realization that occurs for security-i on event period-t

   $E\left[R_{i.t}\right]$ = expected return for security-i on event period-t

4. Calculating AAR of each share

   AAR_i before = $\frac{\sum_{j=t-5}^{t-1} AR_{i,t\ before}}{T}$

   AAR_i at time = $\frac{\sum_{j=t0}^{t0} AR_{i,t\ at\ time}}{T}$

   AAR_i after = $\frac{\sum_{j=t+1}^{t+5} AR_{i,t\ after}}{T}$

   Notation:

   $AR_{i.t}$ = abnormal return for security-i on event period-t

   T = the amount of t

RESEARCH RESULTS

Descriptive Statistic

Descriptive statistics are statistics that function to describe or provide an overview of the object under study through sample data or population as they are, without analyzing and making conclusions that apply in general (Sugiyono: 2017). The descriptive statistics

of ATVA and AAR can be seen in the following tables.

Table 2. Descriptive Statistic of ATVA

	Before	Event Day	After
Minimum	0.00026	0.00025	0.00023
Maximum	0.00715	0.00712	0.00853
Mean	0.00153	0.00169	0.00178
Std. Deviation	0.00149	0.00152	0.00180

Source: Data processing results, 2020

From the descriptive statistical results table above, the minimum value of ATVA 5 days before the event is 0.000258, while the maximum value of ATVA 5 days before the event is 0.007154. The average ATVA before the event is 0.00152864 with standard deviation value of 0.001488802. The minimum value of ATVA on the day of the event is 0.000246 with maximum value of 0.007116. The average ATVA on the day of the event is 0.00169155 with standard deviation value of 0.001524021. The minimum value of ATVA 5 days after the event is 0.000230, while the maximum value is 0.008531. The average ATVA after the event is 0.00178008 with standard deviation value of 0.001799925.

Table 3. Descriptive Statistic of AAR

	Before	Event Day	After
Minimum	-0.01034	-0.01734	-0.01063
Maximum	0.02454	0.06853	0.03163
Mean	0.00335	0.01036	0.00038
Std. Deviation	0.00909	0.01930	0.00708

Source: Data processing results, 2020

From the descriptive statistical results table above, the minimum value of AAR during 5 days before the event is -0.010342 and the maximum value is 0.024536. The average AAR during the 5 days before the event is 0.00334636 with the standard deviation value of 0.009086674. The minimum value of AAR on the day of the event is -0.017339, while the maximum value is 0.068532. The average AAR on the day of the event is 0.01035756 with standard deviation value of 0.019300352. The minimum value of AAR during the 5 days after the event is -0.010625, while the maximum value is 0.031632. The average AAR during the 5 days after the event is 0.00037826 with standard deviation value of 0.007084168.

Normality Test

Normality test is performed to determine the distribution of data. The results from the normality test are then used to determine the hypothesis testing technique. If the data is normally distributed, then the hypothesis testing technique uses paired sample t test. However, if the data are not normally distributed, then the hypothesis testing technique uses the Wilcoxon signed-ranks test.

Table 4. Kolmogorov-Smirnov Normality Test Results on ATVA

Period	Sig.	α	Data Distribution
Before	0.000	0.05	Not Normal
After	0.000	0.05	Not Normal

Source: Data processing results, 2020

Based on the results of the normality test above, the ATVA data before and after the event is not normally distributed. This is evidenced by the significance value of ATVA < 0.05 which means the data are not normally distributed. Based on these results, the hypothesis testing for the ATVA variable will be performed using the Wilcoxon Signed-Ranks Test.

Table 5. Kolmogorov-Smirnov Normality Test Results on AAR

Period	Sig.	α	Data Distribution
Before	0.200	0.05	Normal
After	0.002	0.05	Not Normal

Source: Data processing results, 2020

Based on the results of the normality test above, the AAR data before the event is normally distributed, but the AAR data after the event is not normally distributed. Therefore, the hypothesis testing for the AAR variable will be performed using the Wilcoxon Signed-Ranks Test.

Hypotheses Test

The testing of H_1 was conducted to test the difference of ATVA before and after the announcement of the US - China trade agreement phase 1 in 2019 on a 11 days windows period. Meanwhile, testing of H_2 was carried out to test the difference in AAR before and after the event.

Table 6. Result of Hypothesis Testing on ATVA

Variable	Asymp. Sig. (2-Tailed)	α	Information
ATVA before- after the event	0.013	0.05	Significant

Source: Data processing results, 2020

Based on the table above, the Asymp. Sig. value (2-tailed) at the 11 days windows period is 0.013, which is < α (0.05). This indicates that there is significant difference in ATVA at period of 5 days before the event and 5 days after the event. Therefore, H_1 is supported. This shows that there is significant difference in the Trading Volume Activity at 5 days before and 5 days after the event of a trade agreement phase 1 between the US and China.

Table 7. Result of Hypothesis Testing on AAR

Variable	Asymp. Sig. (2-Tailed)	α	Information
AAR before-after the event	0.156	0.05	Not Significant

Source: Data processing results, 2020

Based on the table above, the significance values (2-tailed) of 11 days windows period are greater than α (0.05). These results indicate there is no significant

difference at 5 days before and after the event. Therefore, H_2 is not supported. This shows that there is no significant difference in the AAR before and after the event of a trade agreement phase 1 between the US and China.

CONCLUSIONS AND SUGGESTIONS

Conclusions

Based on the discussion that has been submitted, the conclusions that can be drawn from this study are:

1. Trading volume activity shows significant differences before and after the announcement of the trade agreement phase 1 between the US and China. The trade agreement phase 1 between the US and China has given a positive signal to investors regarding the condition of world economy, indicated by the increase of trading volume activity after the announcement of the trade agreement. The increase of trading volume activity indicates that the announcement of the US – China trade agreement has information content that can influence the investors' decisions regarding capital market investments. The investors responded positively to the announcement because it marked the end of the US – China trade war.
2. Abnormal return does not show significant differences before and after the announcement of trade agreement phase 1 between the US and China. This shows that investors in the Indonesia capital market did not get abnormal returns in the period around the event. Even though the market responded positively to the announcement of the trade agreement between the US and China proven by the TVA variable, the market still do not get positive abnormal returns as expected by the investors.

Limitations

This research was conducted with several limitations that can be stated as follows:

1. This study only analyses the statistical difference of data before and after the event, not between the estimation period and windows period. Therefore, a potential information leakage during 5 days before the event cannot be detected. The market reaction can be examined by conducting other method which compares the data during estimation period with data during windows period. This method considers potential information leakage before the event and observes the estimation period. Therefore, it can provide more advanced results about market reaction.
2. This study only uses two indicators to measure market reaction, namely trading volume activity and abnormal return. Market reaction can be measured using

other variables such as bid-ask spreads and security return variability.

3. This study only measures the average trading volume activity and average abnormal return.
4. This study only uses Wilcoxon signed-ranks test which tests the differences of ATVA and AAR before and after the event so that the significance of ATVA and AAR at the time of the event (T0) cannot be measured.
5. This study only uses the Index LQ-45 as a research sample so that stocks outside of the Index LQ-45 are not observed during the research period.
6. This study is limited to 11 days windows period. The market reaction to an event can be seen in various windows period.

Suggestions

Based on the conclusions outlined above, the author can provide the following suggestions or recommendations:

1. Conducting event study methodology that measures the difference between estimation period and windows period
2. Adding time to the research period so that market reactions can be seen in different windows periods.
3. Adding research samples so that the effects of an event can be seen on a broader scale and can provide better research results, or using another index as sample to see market reactions at certain stock indices to an international political event.
4. Adding other variables that can be used to examine market reactions such as bid-ask spreads and security return variability so that market reactions can be described better and more clearly using additional variables.

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