

## CHAPTER 5 - CONCLUSIONS AND SUGGESTIONS

### 5.1. Conclusions

Putting everything in a nutshell;

1. It became clear that among all the variables studied, Earnings per Share (EPS) had a significant impact on the stock price (with a T-value of 14.510 and a significance value of 0.000). This substantial finding underscores the importance of a company's profitability as perceived by shareholders in influencing stock prices. It can be concluded that the variables of the fundamental metrics (ROA, EPS, PBV, and NPM) simultaneously influence the Stock Price.
2. The technical indicators (Volume and Trend) did not manifest any significant predictive influence on the Stock Price, contrary to what might be expected from financial theory. For that reason, H2 has to be rejected for this model.

The first hypothesis, H1, proposed that fundamental metrics may affect the movement of stock prices. Analysis and findings from the study led to this hypothesis. We found that fundamental metrics, specifically Earnings per Share (EPS), demonstrated a significant influence on stock prices. This finding is consistent with prior literature and adds further evidence to the importance of financial fundamentals in shaping stock market behavior. Thus, H1 is accepted.

The second hypothesis, H2, proposed that technical indicators may influence stock price movements. Contrary to H1, the results failed to provide substantial evidence for this hypothesis. Notably, the trading volume (one of the technical indicators in the study) was found to have a negative correlation with stock prices, and the strength of the correlation was not sufficient to warrant a significant influence. This finding contradicts some previous studies, highlighting the complexities of stock price movements and the potential interplay of multiple factors. Therefore, based on the evidence from our analysis, H2 is rejected.

In conclusion, this study offers significant insights into the unique dynamics of the LQ45 index, particularly highlighting the role of EPS as the only significant factor among the studied fundamental metrics influencing stock price movements. This underscores the complexity of stock price behavior, the importance of a company's

financial health and performance, and the need to consider context-specific factors in financial market analysis. On the other hand, the lack of significant influence from the studied technical indicators suggests these factors may not be as impactful within the context of the LQ45 index. These findings hold considerable implications for investors, financial analysts, and policy makers, paving the way for future research to further deepen our understanding of stock market behaviors and the diverse factors that can influence them.

## **5.2. Suggestions**

The findings from this study contribute to our understanding of stock price movements in the LQ45 index and the influence of fundamental and technical indicators. However, more work needs to be done to further refine these findings and deepen our understanding of the dynamics in the stock market. For that reason, the following are some suggestions for future research and practice:

1. While this study has focused on key fundamental metrics and technical indicators, future studies could consider additional variables that may influence stock prices. These could include macroeconomic indicators, market sentiment measures, or other firm-specific variables not included in this study.
2. Despite the lack of significant influence in this study, technical indicators have been found impactful in other research contexts. Therefore, exploring other technical indicators or re-examining the ones used in this study with a larger sample or different stock index may yield different results.
3. The presence of heteroscedasticity in our model suggests a need for further refinement in terms of the statistical techniques used. Future studies could consider employing advanced econometric techniques such as Generalized Method of Moments (GMM) or heteroscedasticity-consistent standard errors.
4. Investors and financial analysts are encouraged to focus on the fundamental metrics when predicting stock price movements in the LQ45 index. However, they should also stay aware of the potential influence of other factors not considered in this study.

The recommendations provided here aim to drive further exploration into the factors affecting stock price movements in the LQ45 index. It is certain that these suggestions will inspire future research efforts and help guide investment strategies and policy decisions.

