ABSTRACT

This study aims to test whether Volume and Volatility cause the Disposition Effect to LQ45 stock investors. The sample used in this study is daily data from the period January 2015 – December 2019 which is limited to the first 50 week period, so there are 2250 samples.

This study uses the Multinomial Logit Regression model to examine the effect of Volume and Volatility on the Disposition Effect. It begins with a Fit Model Test to find out whether the hypothesized model is fit with the data. Furthermore, there is a Pseudo R-Square to determine whether the dependent variable can be explained by the independent variable, Goodness of Fit to assess whether the regression model is feasible, and ends with the Wald test to find out whether the independent variable has a significant influence as well as to formulate a hypothesis.

The results of this study are, Volume has no effect and is not significant to the occurrence of the Disposition Effect. Meanwhile, Volatility has a negative and significant effect on the occurrence of Down Disposition.