ABSTRACT

The fluctuating nature of the stock market often creates uncertainty in stock price movements, prompting investors to implement appropriate risk management strategies. One commonly used strategy is portfolio formation, which involves allocating funds across various assets with the aim of maximizing returns while minimizing risk. In the portfolio construction process, investors' subjective views on market conditions can serve as a consideration when estimating expected stock returns. A method that incorporates investor views alongside market information in portfolio optimization is the Black-Litterman model. In this study, investor views are formed using the Weighted Exponential Moving Average (WEMA) method, based on weekly stock price data from the IDX30 index for the period from February 1, 2023, to January 31, 2025. The results of the study indicate that the portfolio constructed using the Black-Litterman model with WEMA(3) approach shows better performance compared to the portfolio constructed using the Capital Asset Pricing Model (CAPM), which yielded a negative Sharpe Ratio of -0.0419. In contrast, the Black-Litterman portfolio achieved a higher Sharpe Ratio of 0.2108.

Keywords: Portfolio, Stock Returns, Black-Litterman, Weighted Exponential Moving Average, IDX30, Capital Asset Pricing Model