ABSTRACT

The purpose of this study was to test the sentiment of investors as a mediator between the fundamental factors and stock price in the Indonesia Stock Exchange.

The population of this research is the manufacturing companies listed in Indonesia Stock Exchange in the period from 1998 to 2007. Data collection method used was a purposive sampling. From this collection method, the author found 125 companies that met the requirements of the publishing accounting statements issued reports ten consecutive years.

By using the partial regression to each model in this study, it was found that the macroeconomic fundamentals have more sensitive effect to the stock price than corporate performance effect to the stock price. The study also found sufficient evidence of the corporate performance role in the form of investor sentiment, and the role of investor sentiment in the stock pricing. This finding is consistent with the theory of speculative markets of Keynes and Galbraith, who revealed that in addition to fundamentals, there are also psychological and institutional role of the stock pricing in the capital market.

Based on the integrated models, can be identified that the role of this sentiment affect the intensity of the relationship between fundamentals and stock prices. This fact can be observed from the intensity of the direct relationship of the micro fundamentals and stock prices are more powerful than the indirect relationship between the two variables.

Keywords: *sentiement investors, fundamental factors, stock pricing*