

Market Reaction to the January 2026 Trading Halt: Evidence from IDX30 Stocks

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Abstract

Purpose: This study aims to examine the market reaction to the trading halt that occurred on January 29, 2026, on the Indonesia Stock Exchange (IDX), focusing particularly on stocks included in the IDX30 index. Market reactions are analyzed using abnormal returns and trading volume activity.

Method: An event study methodology is employed with an eleven-trading-day event window (T-5 to T+5) and a 14-day estimation period, consistent with the standard short-window event study practice in emerging markets, using all 30 IDX30 constituent stocks.

Results: Significant abnormal returns were observed only at T-5 ($p < 0.05$), suggesting partial market anticipation prior to the trading halt. No other days in the event window exhibited significantly abnormal returns, and trading volume activity was insignificant throughout. No statistically significant differences were found between the pre- and post-event periods for either measure.

Conclusions: Market response appeared to precede the trading halt rather than follow it, while the halt itself produced no significant change in abnormal returns or trading volume among the IDX30 stocks.

Limitations: The findings are based on a single trading halt event and one index, which may limit generalizability across broader market conditions or different halt types.

Contributions: This study provides early evidence of the role of trading halt mechanisms in an emerging market context, offering preliminary insights for investors, regulators, and researchers.

Keywords: *Abnormal Return, Event Study, IDX30, Trading Halt, Trading Volume Activity*

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1. Introduction

In contemporary financial markets, investor behavior is closely intertwined with market sentiment, stability, and asset price movements. Sudden changes in market conditions often trigger strong reactions from investors, leading to increased volatility and rapid price adjustments. During periods of extreme market stress, stock exchanges frequently implement regulatory mechanisms, most notably the trading halt, a temporary suspension of trading, designed to maintain orderly markets and prevent excessive panic selling. Trading halts are implemented by many exchanges worldwide as part of market-wide circuit breaker systems designed to reduce systemic risks (Kim & Rhee, 2021). From the perspective of market microstructure, such interruptions may influence liquidity, price discovery, and trading behavior, although their effectiveness in stabilizing prices remains a subject of debate in the literature (Boehmer, Jones, & Zhang, 2021; Goldstein & Kavajecz, 2023; Kolar & Pynnönen, 2022). In emerging markets, where investor sentiment and speculative behavior tend to be stronger, the impact of trading halts may be more pronounced.

On January 29, 2026, the Indonesia Stock Exchange (IDX) implemented a temporary trading halt after the Jakarta Composite Index (JCI) experienced a sharp decline exceeding eight percent during the early trading session. The suspension occurred at 09:26:01 Jakarta Automated Trading System (JATS) time and lasted approximately thirty minutes before trading resumed at 09:56:01. This halt was triggered by IDX's revised circuit breaker regulation introduced in April 2025, which established several threshold levels aimed at stabilizing the market during extreme price movements. The market turbulence preceding the halt was closely linked to MSCI's decision on January 28, 2026, to freeze changes to the Indonesian stock index, which raised investor concerns regarding market transparency and regulatory credibility in the Indonesian capital market (MSCI, 2026; *Bloomberg*, January 28, 2026). As a result, negative sentiment intensified across the market, driving a sharp decline in the JCI at the opening of the trading session, which ultimately triggered the circuit breaker mechanism.

As illustrated in Figure 1, the JCI experienced considerable fluctuations throughout 2025, rising from approximately 6,000 points in March 2025 to a peak of around 9,100 points in November 2025, before declining sharply to approximately 8,300 points by late January 2026, representing a peak-to-trough drawdown of roughly 8.8% within two months. This downward trajectory prior to the halt reflects increasing market pressure and heightened investor concerns, underscoring the importance of understanding how investors react to sudden regulatory interventions during periods of financial instability.

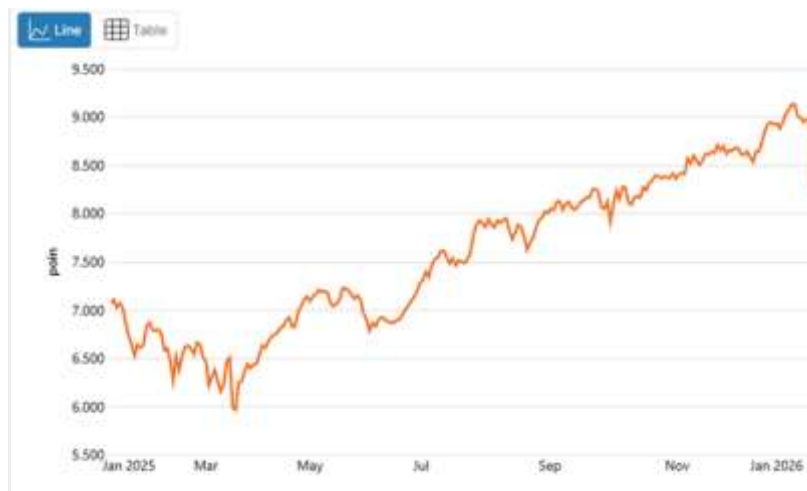


Figure 1. IHS30 Jan 2025-29 Jan 2026

Market reactions to trading halts can be understood through signaling and market efficiency theories, both of which provide the theoretical motivation for this study and are elaborated further in Section 2. Briefly, signaling theory suggests that regulatory interventions may convey important information signals to investors regarding underlying market conditions ([Spence, 2021](#)), while the semi-strong form of market efficiency proposes that stock prices rapidly incorporate all publicly available information, including announcements related to regulatory actions ([Fama, Fisher, Jensen, & Roll, 2021](#)). Together, these theoretical lenses motivate the use of abnormal returns and trading volume as key indicators of market reaction. To analyze these reactions empirically, this study applies event study methodology, which has been widely used in finance research to examine market responses to corporate announcements, regulatory policies, financial crises, and macroeconomic shocks ([Binder, 2021](#); [Kolari & Pynnönen, 2022](#)).

Despite the growing body of literature on market microstructures and trading interruptions, empirical evidence regarding the effectiveness of trading halts in emerging markets remains relatively limited. Most existing studies have focused primarily on developed financial markets, such as the United States and European exchanges, while research examining trading halt mechanisms in Southeast Asian capital markets remains scarce. Furthermore, only a limited number of studies have specifically investigated the market reaction of highly liquid Indonesian stocks during periods of sudden trading suspensions.

Therefore, this study addresses the following research questions:

1. Did the trading halt on January 29, 2026, generate significant abnormal returns among IDX30 stocks during the event window (T-5 to T+5)?
2. Were there significant differences in abnormal returns between the pre-event period (T-5 to T-1) and post-event period (T+1 to T+5)?
3. Did the trading halt produce significant changes in trading volume activity (TVA) among IDX30 stocks during the event window?
4. Were there significant differences in TVA between the pre- and post-event periods?

These research questions correspond directly to hypotheses H1–H4, developed in Section 2. By focusing on highly liquid stocks represented in the IDX30 index, this study aims to provide early evidence of how investors in the Indonesian capital market respond to trading halt mechanisms during periods of market stress, offering preliminary insights for investors, regulators, and researchers interested in emerging market dynamics.

2.1 Theoretical Background

Building on the theoretical motivation outlined in Section 1, this section elaborates on how signaling theory and market efficiency theory specifically justify the expected market reactions to trading halt events. Signaling theory posits that regulatory interventions serve as information signals that prompt investors to revise their expectations and adjust their trading strategies ([Colombo, 2021](#); [Lye, Ng, Lim, & Gan, 2020](#); [Putri & Tanno, 2024](#); [Yaşar, Martin, & Kiessling, 2020](#)). In the context of a trading halt, the exchange's decision to suspend trading may be interpreted as either a stabilizing signal, indicating that authorities are managing systemic risk, or a distress signal, suggesting that underlying market conditions have deteriorated severely. Therefore, the direction of investor response depends on how market participants interpret the informational content of the halt. This theoretical mechanism directly motivates H1 and H2, which examine whether the January 29, 2026, trading halt generated significant abnormal returns and trading volume changes among IDX30 stocks.

The semi-strong form of market efficiency [Fama et al. \(2021\)](#) implies that if the trading halt conveys new and relevant information, stock prices and trading activity should adjust rapidly around the event. Consequently, any significant difference in abnormal returns or trading volume between the pre- and post-halt periods reflects the market's incorporation of new information, providing the theoretical foundation for H3 and H4. From a market microstructure perspective, trading interruptions may also disrupt liquidity and price discovery processes ([Subrahmanyam, 2021](#)), particularly in emerging markets, where the institutional capacity for information processing may be more limited and investor sentiment tends to be more reactive.

2.2 Trading Halt and Market Reaction

Trading halts are widely implemented by stock exchanges as part of circuit breaker mechanisms designed to reduce excessive volatility and maintain the stability of the market ([Bildik, 2023](#); [Kim & Rhee, 2021](#)). Previous studies indicate that trading halts may provide a cooling-off period, allowing investors to process information and avoid making irrational trading decisions. However, empirical findings on the effectiveness of trading halts are mixed. Some studies suggest that trading halts can reduce market panic and improve liquidity conditions ([Boehmer et al., 2021](#)), while others find that trading interruptions do not always lead to significant market adjustments ([Ferguson, Waldron, & Lim, 2022](#); [Gutierrez & Funck, 2024](#); [Wang, Kim, Suardi, & Zhao, 2025](#)).

Market reactions to such events are commonly measured using abnormal returns and trading volume. Abnormal returns reflect the deviation between actual and expected returns, indicating whether new information affects stock prices ([Binder, 2021](#); [Kolari & Pynnönen, 2022](#)). Trading volume activity represents changes in investors' trading intensity and behavior in response to new information ([Boehmer et al., 2021](#); [Lye et al., 2020](#); [Putri & Tanno, 2024](#)). In the context of the Indonesian capital market, local market characteristics, including relatively high retail investor participation and sensitivity to external shocks, may further amplify the market's response to regulatory interventions such as trading halts ([Herlina & Nugroho, 2024](#)).

2.3 Abnormal Return in Event Studies

Abnormal Return (AR) is defined as the difference between the actual return of a stock and its expected return during a specified event window ([Martinez-Blasco, Serrano, Prior, & Cuadros, 2023](#); [Riski, Satrya Wibowo, Yuniati, Ichsan Diarsyad, & Muhammad Ari, 2025](#)). A positive abnormal return indicates that the actual return exceeded investor expectations, whereas a negative abnormal return indicates an adverse market response. The market-adjusted model is frequently applied in short-window event studies because it assumes that the expected return equals the market return, making it computationally tractable and appropriate when firm-specific parameters are difficult to estimate precisely ([Jogiyanto, 2014](#)).

Prior studies have consistently found significantly abnormal returns around regulatory and corporate events. Significant abnormal returns surrounding stock split announcements on the IDX have been documented, demonstrating that Indonesian investors actively respond to market-relevant events ([Indriani, 2022](#)). Internationally, refined testing procedures for abnormal returns have been developed, highlighting the methodological importance of robust measurements in event studies ([Kolari & Pynnönen, 2022](#)).

It is acknowledged that firms comprising the IDX30 index are likely to exhibit cross-sectional correlations in their returns, given their shared exposure to common market factors and systemic shocks. Such cross-sectional dependence may inflate the test statistics in standard t-tests, potentially overstating the statistical significance ([Kolari & Pynnönen, 2022](#)). In this study, the market-adjusted model partially mitigates this concern by removing the common market component from the individual returns. Nevertheless, the use of a simple t-test remains a limitation, and future research may benefit from applying more robust event study test statistics, such as the standardized cross-sectional test proposed by ([Kolari & Pynnönen, 2022](#)).

2.4 Trading Volume Activity in Event Studies

Trading Volume Activity (TVA) measures the ratio of shares traded over a specific period relative to total shares outstanding and serves as a proxy for investor trading intensity in response to new information ([Amelia & Satria, 2024](#)). A high TVA during an event window indicates heightened investor attention and active portfolio rebalancing. [Xu et al. \(2021\)](#) demonstrated a positive relationship between trading volume and price volatility in Asian commodity futures markets, confirming the information role of trading volume.

In event study research, TVA has been employed alongside abnormal returns to provide a more complete picture of investor responses to corporate and regulatory announcements ([Brown & Warner, 1985](#)). [Karpoff \(1986\)](#) found that while abnormal returns may normalize quickly after an event, trading volume changes can persist for several days, providing evidence of behavioral adjustment beyond price reaction. Similarly, [Peter-Jan and Rezaul \(2006\)](#) found that trading halts often generate significant volume changes upon re-opening, reflecting accumulated investor decisions made during the halt period.

However, it is important to acknowledge that the TVA alone may not fully capture all dimensions of the liquidity changes associated with a trading halt. Measures such as the bid-ask spread and market depth provide complementary information about liquidity conditions that TVA cannot directly reflect ([Subrahmanyam, 2021](#)). Therefore, the absence of these microstructure measures in the current study represents a limitation, as changes in order imbalance or liquidity costs during the event window may not be fully captured by the TVA. Future research incorporating bid-ask spread data will provide a more comprehensive assessment of how trading halts affect market liquidity in the Indonesian context.

2.5 Hypothesis Development

Based on the theoretical framework and empirical evidence reviewed above, this study develops four hypotheses to examine market reactions to the trading halt of January 29, 2026, on IDX30 stocks. Abnormal returns are widely used to measure whether a specific event contains significant information that affects stock prices. Consistent with signaling theory [Spence \(2021\)](#), the trading halt on January 29, 2026, triggered by an 8% decline in the JCI and the MSCI index freeze, is expected to convey

significant negative information to IDX30 investors. Prior studies have documented significant abnormal returns surrounding market-relevant events on the IDX ([Assyifa, Yuliana, & Prajawati, 2025](#); [Nahdiyyah & Fujianti, 2025](#); [Rahayu & Desitama, 2023](#)), and [Kim and Rhee \(2021\)](#) found that circuit breaker events produced measurable negative abnormal price reactions on the Korea Exchange. Given the negative nature of the triggering event, abnormal returns are expected to be predominantly negative during the event window period.

H₁: There are significant negative abnormal returns on IDX30 stocks around the trading halt of January 29, 2026

In addition to price changes, investor behavior can be observed through trading volume. Given the magnitude of the January 29, 2026 event the largest single-day JCI decline in recent years, compounded by an external MSCI shock a significant increase in trading volume activity is anticipated, reflecting heightened investor attention and active portfolio rebalancing ([Deepa, Dewi, Baskara, & Candraningrat, 2025](#); [Rauterkus, 2024](#)). [Akbar \(2023\)](#) and [Ningtyas and Azmiyanti \(2025\)](#) similarly documented significant TVA increases surrounding major market events on Asian and Indonesian exchanges, respectively.

H₂: Trading volume activity on IDX30 stocks significantly increases around the trading halt of January 29, 2026

If the trading halt effectively altered investor expectations, a meaningful difference in abnormal returns between the pre- and post-halt periods would exist. [Boehmer et al. \(2021\)](#) found observable differences in post-halt price behavior relative to the pre-halt period in U.S. markets, and [Yudhistira and Purbawangsa \(2023\)](#) documented similar patterns on the Indonesia Stock Exchange (IDX). Based on signaling theory, post-halt abnormal returns are expected to reflect the market's reassessment of new information, resulting in a significant difference from the pre-halt period.

H₃: There is a significant difference in abnormal returns on IDX30 stocks between the pre-event period (T-5 to T-1) and the post-event period (T+1 to T+5) of the trading halt of January 29, 2026

Differences in trading volume activity between the pre- and post-halt periods may reflect changes in investors' trading behavior following regulatory intervention. [Rahim, Sulaiman, Husni, and Wiranda \(2021\)](#) found significant differences in trading volume before and after trading halts due to the accumulation of investor decisions during the suspension period. [Triadji, Busnetty, and Sihombing \(2024\)](#) observed that such volume changes persisted beyond the event date for the IDX-listed securities. Given the sensitivity of Indonesian investors to regulatory interventions ([Herlina & Nugroho, 2024](#)), trading volume activity is expected to differ significantly between the pre- and post-halt periods, with a higher volume anticipated in the post-halt period as accumulated orders are executed upon market reopening.

H₄: There is a significant difference in trading volume activity on IDX30 stocks between the pre-event period (T-5 to T-1) and the post-event period (T+1 to T+5) of the trading halt on January 29, 2026.

3. Methodology

This study adopts a quantitative research design and uses the event study methodology to analyze the market reaction to a specific market event. Event study analysis is widely applied in financial research to evaluate how capital markets respond to new information by examining abnormal returns during an event period. This method enables researchers to determine whether a particular event contains significant information that influences investor behavior and stock price changes ([Binder, 2021](#); [Kolari & Pynnönen, 2022](#)). The event analyzed in this study is the trading halt implemented by the Indonesia Stock Exchange (IDX) on January 29, 2026, at 09:26:01 Jakarta Automated Trading System (JATS) time. The trading suspension occurred after the Jakarta Composite Index (JCI) declined by more than eight percent during the early trading session, representing an important market intervention aimed at stabilizing conditions during a period of significant volatility.

This research uses secondary data consisting of daily closing stock prices and trading volumes of companies included in the IDX30 index, obtained from publicly available market databases covering the observation period of January to February 2026. The market reaction to the trading halt event is analyzed using two indicators, abnormal return and trading volume activity, which are widely used in event study research to capture both price effects and behavioral trading responses in financial markets ([Boehmer et al., 2021](#)).

3.1. Event Window and Estimation Period

The event window used in this study consists of 11 trading days, spanning five days before the event (T-5), the event day (T0), and five days after the event (T+5). The window length was selected for two reasons. First, a short window of ± 5 days minimizes the probability of contamination from overlapping corporate or macroeconomic events unrelated to the trading halt, which is particularly important in a concentrated index such as the IDX30 ([Kolari and Pynnönen, 2022](#)). Second, short-horizon event windows of this length are consistent with standard practice in emerging market event studies, where longer windows tend to introduce noise from confounding factor ([Binder, 2021](#)).

An estimation period of 14 trading days immediately preceding the event window is employed to calculate the expected return of each stock. Although longer estimation periods are sometimes preferred, a 14-day window is appropriate given the short-horizon nature of the study and the need to avoid including periods of pre-event market turbulence. Specifically, the IDX experienced elevated volatility in the weeks leading up to January 29, 2026, and a longer estimation window would risk contaminating the expected return benchmark with abnormal pre-event price movements that are not representative of the normal market conditions.

3.2 Population and Sample

The population of this study consists of all companies included in the IDX30 index during the observation period. A saturated sampling technique was applied, meaning that all 30 constituent companies of the IDX30 index were included in the research sample. The IDX30 index represents stocks with high liquidity and large market capitalization listed on the Indonesia Stock Exchange, making it an appropriate sample for examining the market reaction of highly liquid stocks to a market-wide regulatory event.

Note that the IDX30 index composition is periodically reviewed by the IDX. To ensure data consistency, only companies that remained constituents of the IDX30 throughout the entire observation period — from the start of the estimation window to the end of the event window — were retained in the final sample. Companies with missing daily price or volume data on any trading day within the combined estimation and event windows were excluded from the analysis. After applying these criteria, all 30 IDX30 constituent stocks were confirmed as complete and usable for the full analysis period, with no exclusions required because of missing data or index rebalancing during the observation window. Data collection was conducted using the documentation method by compiling historical daily closing stock price data and trading volume data for IDX30 constituent companies, obtained from publicly available market databases.

3.3 Operationalization of Variables

This study examines the market reaction to trading halt events using two main indicators: abnormal returns and trading volume activity. The trading halt event on January 29, 2026, serves as an event under investigation in the event study framework. Market reaction is captured by observing whether abnormal returns and changes in trading activity occur around the event windows.

3.3.1 Abnormal Return

Abnormal returns represent the difference between the actual returns obtained by investors and the expected returns predicted under normal market conditions. In event study analysis, abnormal returns are commonly used to determine whether a particular event generates significant market reactions ([Binder, 2021](#); [Dayan Hakim & Sudaryo, 2022](#)).

The actual return of stock i at time t is calculated as:

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

where:

$R_{i,t}$ = actual return of stock i at time t

$P_{i,t}$ = closing price of stock i at time t

$P_{i,t-1}$ = closing price of stock i at time $t-1$

Market return is calculated using the Jakarta Composite Index (JCI) as a proxy for the overall market return:

$$R_{m,t} = \frac{JCI_t - JCI_{t-1}}{JCI_{t-1}} \quad (2)$$

where:

$R_{m,t}$ = market return at time t

JCI_t = Jakarta Composite Index value at time t

JCI_{t-1} = Jakarta Composite Index value at time $t-1$

This study employs a market-adjusted model to estimate abnormal returns. This model was selected because it does not require prior estimation of firm-specific parameters such as alpha and beta, making it particularly suitable when the estimation period is short, as in this study (Jogiyanto, 2014). While more sophisticated models, such as the market model, produce less biased parameter estimates when sufficient historical data are available, the 14-day estimation period used here is insufficient to generate reliable OLS estimates of individual stock betas. Furthermore, the market-adjusted model reduces the risk of estimation error in a highly correlated index, such as IDX30, where individual stock returns tend to co-move strongly with the market index. Based on this model, the abnormal return of stock i at time t is calculated as: Based on the market-adjusted model, the abnormal return is calculated as:

$$AR_{i,t} = R_{i,t} - R_{m,t} \quad (3)$$

where:

$AR_{i,t}$ = abnormal return of stock i at time t

$R_{i,t}$ = actual return of stock i at time t

$R_{m,t}$ = market return at time t

To examine the overall market reaction, the average abnormal return (AAR) across all sampled firms is calculated as follows:

$$AAR_t = \frac{1}{N} \sum_{i=1}^N AR_{i,t} \quad (4)$$

where:

AAR_t = average abnormal return at time t

N = number of sampled firms

3.3.2 Trading volume activity

In addition to price reactions, this study examines changes in investor trading behavior through the Trading Volume Activity (TVA). Trading volume reflects the intensity of trading transactions in the market and indicates how investors respond to new information (Amelia & Satria, 2024). TVA is calculated as the ratio of shares traded to the total shares outstanding:

$$TVA_{i,t} = \frac{V_{i,t}}{S_{i,t}} \quad (5)$$

where:

$TVA_{i,t}$ = trading volume activity of stock i at time t

$V_{i,t}$ = number of shares traded for stock i at time t

$S_{i,t}$ = number of shares outstanding for stock i

To observe the overall market trading behavior, the Average Trading Volume Activity (ATVA) is calculated as

$$ATVA_t = \frac{1}{N} \sum_{i=1}^N TVA_{i,t} \quad (6)$$

where:

$ATVA_t$ = average trading volume activity at time t

N = number of sampled firms

Trading volume activity is frequently used in event studies to capture investor responses beyond price movements, particularly during periods of market uncertainty (Boehmer et al., 2021). However, it is acknowledged that TVA alone may not fully capture all dimensions of the liquidity change associated with a trading halt. Measures such as the bid-ask spread and market depth provide complementary information about liquidity conditions that TVA cannot directly reflect. The absence of these microstructure measures in the current study represents a limitation, as changes in order imbalance or liquidity costs during the event window may not be fully captured by TVA alone.

3.3.3 Normality Test

Before conducting hypothesis testing, the Shapiro–Wilk normality test was applied separately to AAR and ATVA for each of the eleven trading days in the event window (T–5 to T+5). The Shapiro–Wilk test was selected because it is well-suited for relatively small sample sizes, such as those encountered in this study (Razali & Wah, 2021). Normality is assessed independently for each event window day and for each variable because the distributional properties of AAR and ATVA may differ across trading days. If the significance value for a given day exceeded 0.05, the data for that day were considered normally distributed, and parametric tests were applied; otherwise, non-parametric alternatives were employed.

3.3.4 Hypothesis Testing

Hypothesis testing was conducted in two stages, corresponding to the four research hypotheses. In the first stage (H_1 and H_2), the significance of AAR and ATVA is tested individually for each of the eleven event window days (T–5 to T+5). If the daily AAR or ATVA values were normally distributed based on the Shapiro–Wilk test, a one-sample t-test was applied to assess whether the values differed significantly from zero. If the normality assumption was not satisfied, the Wilcoxon signed-rank test was employed as a non-parametric alternative. In the second stage (H_3 and H_4), to examine whether there are significant differences in AAR and ATVA between the pre-event period (T–5 to T–1) and post-event period (T+1 to T+5), a paired-sample t-test is applied when the normality assumption holds. If the normality assumption was violated, the Wilcoxon signed-rank test was used. These statistical procedures are consistent with the standard practice in event study research for evaluating market reactions surrounding a particular event (Kolari & Pynnönen, 2022).

3.6 Event Contamination and Robustness

A potential concern in event study research is the presence of confounding events occurring within or near the event window that may independently influence stock returns and trading volume, thereby complicating the attribution of observed market reactions to trading halts. Several macroeconomic and regulatory developments occurred in proximity to January 29, 2026, most notably the MSCI index freeze announcement on January 28, 2026, and broader global market uncertainty in early 2026.

Because these events are closely intertwined with the trading halt itself, the MSCI decision being a direct contributing factor to the JCI decline that triggered the circuit breaker, it is difficult to fully isolate the effect of the trading halt mechanism from the broader information environment surrounding the event. Therefore, this study acknowledges that the observed market reactions may reflect the combined effect of the trading halt and the concurrent MSCI-related shock rather than the halt mechanism in isolation. The eleven-day event window and short estimation period employed in this study were designed to minimize exposure to unrelated confounding events outside this immediate period. Future research employing matched-control designs, multivariate event study frameworks, or longer panels of trading halt events may be better positioned to disentangle the specific contribution of the halt mechanism from the surrounding market conditions.

4. Results and Discussions

4.1 Descriptive Analysis

Descriptive statistics are used to provide an overview of abnormal returns and trading volume activity during the event window surrounding the trading halt event. The descriptive analysis included the mean and standard deviation values of each variable observed from five days before the event (T-5) to five days after the event (T+5). Activity fluctuated during the event window surrounding the trading halt event.

Table 1. Descriptive analysis of abnormal return and trading volume activity

Period	N	Abnormal Return		Trading Vol Activity	
		Mean	Std. Deviation	Mean	Std. Deviation
T-5	3	-0.04042	0.01486	0.01793	0.02644
T-4	3	-0.02376	0.03099	0.00151	0.00111
T-3	3	-0.04373	0.05889	0.00619	0.00776
T-2	3	-0.00001	0.02362	0.0015	0.00124
T-1	3	-0.03108	0.02731	0.00079	0.00077
T0	3	-0.03498	0.02054	0.00227	0.00269
T+1	3	0.03488	0.03856	0.00122	0.00093
T+2	3	0.00035	0.01558	0.00059	0.00037
T+3	3	-0.01627	0.03171	0.00079	0.00043
T+4	3	0.0196	0.02953	0.00066	0.00038
T+5	3	-0.03687	0.0353	0.00053	0.00042
Average Before	3	-0.0278	0.02744	0.00558	0.00457
Average After	3	0.00034	0.02711	0.00076	0.00045

Based on Table 2, abnormal returns exhibit a notable pattern of negative values during the pre-event period, particularly clustering around T-3 and T-1, suggesting that downward market pressure had already begun to build several days before the halt was implemented. This pattern is consistent with the predictions of signaling theory: as negative signals, including the MSCI freeze announcement and rising market volatility, began circulating in the market, investors appear to have revised their expectations downward even before the official trading suspension. In contrast, positive abnormal returns emerge on selected post-event days, including T+1 and T+4, although the magnitudes remain modest and inconsistent, suggesting a partial and short-lived recovery rather than a sustained one.

A striking divergence is observed between the pre- and post-event periods regarding trading activity. The mean trading volume activity before the event (0.00558) is substantially higher than that after the event (0.00076), representing a decline of approximately 86% in average trading intensity following the halt. This sharp reduction may indicate that investor uncertainty or caution increased after the trading suspension, leading to more restrained trading behavior in the post-halt period. The standard deviation of TVA also appears higher in the pre-event period, suggesting greater cross-sectional variation in trading intent.

4.2 Normality Test

Before conducting hypothesis testing, a Shapiro–Wilk normality test was performed separately for AAR and ATVA on each of the 11 individual trading days within the event window (T–5 to T+5). The Shapiro–Wilk test was selected because it is well-suited for small sample sizes, and each daily test is based on N = 30 observations corresponding to the 30 IDX30 constituent stocks, a sample size that is appropriate for reliable Shapiro–Wilk results.

Table 2. Shapiro–wilk normality test results

Data	N	AR		TVA	
		Sig.	Detail	Sig.	Detail
T-5	3	0.807	Normal	0.095	Normal
T-4	3	0.664	Normal	0.829	Normal
T-3	3	0.297	Normal	0.223	Normal
T-2	3	0.948	Normal	0.702	Normal
T-1	3	0.724	Normal	0.478	Normal
T0	3	0.238	Normal	0.439	Normal
T+1	3	0.691	Normal	0.272	Normal
T+2	3	0.363	Normal	0.742	Normal
T+3	3	0.051	Normal	0.742	Normal
T+4	3	0.683	Normal	0.586	Normal
T+5	3	0.671	Normal	0.256	Normal
Average Before	3	0.53	Normal	0.879	Normal
Average After	3	0.386	Normal	0.271	Normal

Based on the results presented in Table 3, the significance values for both AAR and ATVA across all 11 event window days are greater than 0.05, indicating that the data are normally distributed on a per-day basis. Because the normality assumption was satisfied for each individual observation day, parametric statistical tests were applied in the subsequent hypothesis testing stage. Specifically, the one-sample t-test is used to examine the significance of AAR and ATVA on each event window day, and the paired-sample t-test is used to compare the pre- and post-event period means.

4.3 One-Sample T-Test

To examine whether the AAR and ATVA during the event window differed significantly from zero, a one-sample t-test was conducted for each of the 11 observation days.

Table 3. One-sample t-test results for abnormal returns and trading volume activity

Data	AR		TVA	
	Sig.	Detail	Sig.	Detail
T-5	0.042	<0,05	0.361	>0.05
T-4	0.315	>0.05	0.142	>0.05
T-3	0.327	>0.05	0.301	>0.05
T-2	0.999	>0.05	0.171	>0.05
T-1	0.188	>0.05	0.22	>0.05
T0	0.098	>0.05	0.281	>0.05
T+1	0.258	>0.05	0.151	>0.05
T+2	0.973	>0.05	0.107	>0.05
T+3	0.468	>0.05	0.087	>0.05
T+4	0.369	>0.05	0.098	>0.05
T+5	0.212	>0.05	0.161	>0.05
Average Before	0.221	>0.05	0.169	>0.05
Average After	0.985	>0.05	0.1	>0.05

The results in Table 4 reveal that a statistically significant abnormal return is observed exclusively at T-5 (Sig. = 0.042, $p < 0.05$). This is the only day within the entire event window on which the AAR deviates significantly from zero, indicating that the market reacted meaningfully five days before the trading halt was implemented. This pre-event reaction is consistent with signaling theory: as early distress signals, including rising JCI volatility and emerging concerns over the MSCI index freeze, began circulating among market participants, investors appeared to have begun adjusting their positions several days ahead of the official trading suspension. In terms of economic significance, the significant negative abnormal return at T-5 represents a non-trivial deviation from normal market expectations, suggesting that the pre-event signal carried meaningful economic weight for IDX30 investors, beyond mere statistical significance.

For all remaining observation periods within the event window from T-4 through T+5 — abnormal returns are not statistically significant (Sig. > 0.05 for all days). Notably, the average abnormal return for the pre-event period as a whole (Sig. = 0.221), and the post-event period (Sig. = 0.985) are also insignificant, confirming that the significant reaction was isolated to T-5 rather than reflecting a broader pre-event trend. These results indicate that the trading halt itself did not generate further abnormal price movements in IDX30 stocks on or after the day of the suspension. Similarly, ATVA values are not statistically significant for any of the eleven event window days (Sig. > 0.05 throughout), including the average before (Sig. = 0.169) and average after (Sig. = 0.100) periods. This finding suggests that the trading halt did not produce measurable changes in investor trading intensity at any point during the observation period, indicating that investor trading behavior remained stable despite market disruption. Overall, these results indicate that while the market exhibited a pre-event price reaction at T-5 consistent with early information processing, the trading halt itself did not generate significant price or volume effects among IDX30 stocks during or following the suspension

4.4 Paired Samples T-Test

To further examine whether there are differences in abnormal returns and trading volume activity before and after the trading halt event, a paired-sample t-test was conducted. This test compares the mean values of abnormal returns and trading volume activity during the pre-event and post-event periods.

Table 4. Paired sample t-test results before and after the trading halt

Abnormal Return		Trading Volume Activity	
Sig. (2-tailed)	Explanation	Sig. (2-tailed)	Explanation
0.064	No difference	0.183	No difference

The results in Table 5 show that neither abnormal returns nor trading volume activity exhibit statistically significant differences between the pre- and post-event periods for the full sample. For abnormal returns, the paired-sample t-test yields Sig. (2-tailed) = 0.064, which marginally exceeded the 0.05 threshold, indicating no statistically significant difference between the pre- and post-halt periods. However, this value is relatively close to the conventional significance boundary, suggesting a borderline result that warrants careful interpretation rather than outright dismissal. For trading volume activity, the significance value is 0.183 ($p > 0.05$), indicating no significant difference in investor trading intensity between the pre- and post-event periods.

Nevertheless, these null results should be interpreted with caution for two reasons. First, the paired-sample t-test in this context compares only five pre-event observations (T-5 to T-1) against five post-event observations (T+1 to T+5), which provides limited statistical power to detect small but potentially meaningful differences in the results. The borderline p-value of 0.064 for abnormal returns may reflect a genuine underlying difference that the current design lacks sufficient power to confirm, rather than a true absence of effect. Second, no mean differences or confidence intervals are reported in the available output, which limits the ability to assess the practical or economic significance of the observed gap between the pre- and post-event means. Therefore, it is possible that genuine differences in abnormal returns or trading volume activity exist between the pre- and post-halt periods but remain statistically undetected due to the small number of paired observations. Future research incorporating a larger sample of trading halt events allowing for greater degrees of freedom and more reliable parameter

estimation would be better positioned to detect the effects of smaller magnitudes and draw more definitive conclusions about the differential market reaction before and after trading suspensions.

4.5 Discussion

The empirical results of this study indicate that the trading halt of January 29, 2026, did not generate a strong or sustained market reaction among IDX30 stocks during the observation period. The one-sample t-test results show that significant abnormal returns occurred only at T-5 (Sig. = 0.042), while no other days in the event window, including the event day itself (T0) and all post-halt days, exhibited statistically significant abnormal returns or trading volume changes. Similarly, the paired-sample t-test confirms that there are no statistically significant differences in either AAR or ATVA between the pre- and post-event periods, with significance values of 0.064 and 0.183, respectively.

The presence of significant negative abnormal returns exclusively at T-5 is consistent with the predictions of the signaling theory (Spence, 2021). This holds that investors begin incorporating negative market signals into their trading decisions as soon as credible information becomes available, even before an official regulatory intervention occurs. In this case, the MSCI index freeze announcement on January 28, 2026, combined with escalating JCI volatility in the days preceding the halt, appears to have served as an early distress signal that prompted preemptive investor reactions. By the time the trading halt was officially implemented on January 29, 2026, the relevant information appears to have already been substantially incorporated into IDX30 stock prices, leaving a limited scope for further significant price adjustment during or after the suspension. This interpretation is reinforced by the semi-strong form of market efficiency (Fama et al., 2021). This implies that stock prices rapidly incorporate all publicly available information — implying that once the MSCI-related distress signal became publicly known, prices adjusted swiftly, and the subsequent halt provided little additional informational content to the market.

These findings contrast notably with the evidence from developed markets. Boehmer et al. (2021) documented significant post-halt price reactions and improved liquidity conditions following trading suspensions in U.S. markets, while (Boehmer et al., 2021; Goldstein & Kavajecz, 2023) found that trading interruptions in European markets produced measurable changes in both price and volume behavior following the resumption of trading. The divergence between these findings and the present results may reflect several characteristics specific to the Indonesian market context. First, the IDX30 comprises highly liquid, large-cap stocks whose prices are closely monitored and rapidly adjusted by institutional investors, reducing the likelihood of significant post-halt price discovery. Second, the primary triggering event the MSCI index freeze was publicly announced the day before the trading halt, providing market participants with sufficient time to react before the circuit breaker was triggered. This sequence meant that the informational shock preceded the regulatory intervention rather than being revealed by it. Third, emerging market investors in Indonesia may exhibit a behavioral tendency to front-run anticipated regulatory interventions rather than responding to them after the fact, a pattern consistent with the investor sensitivity to regulatory signals, as documented by Herlina and Nugroho (2024).



Figure 2. Average Abnormal Return (AAR) and Average Trading Volume Activity (ATVA) during the event window

As illustrated in Figure 3, the movement of the AAR during the event window reflects the pattern identified in the statistical tests: a notable negative deviation at T-5, followed by fluctuations that remain within a narrow range without further significant departures from zero. The most negative abnormal returns appear in the pre-event period, particularly around T-3 and T-1, whereas a modest positive rebound is visible at T+1 before the values stabilize. This visual pattern reinforces the interpretation that market adjustment was largely front-loaded into the pre-event period rather than occurring in response to the halting itself. In contrast, the ATVA line remains relatively flat and close to zero throughout the entire event window, with no discernible spike at T0 or in the post-halt period after the trading halt. This stability in trading volume is consistent with the one-sample t-test results showing uniformly insignificant ATVA values across all eleven event window days and further supports the conclusion that the trading halt did not materially alter investor trading behavior.

Taken together, the findings raise an important question for regulators and researchers: whether the IDX trading halt mechanism on January 29, 2026, functioned as an effective market stabilizer or primarily as a reactive intervention that arrived after the most significant price adjustment had already occurred. The evidence from this study tentatively suggests the latter that the halt may have been more symbolic than preventive in this instance, arriving after the market had already partially absorbed the relevant negative information. However, this interpretation should be treated as a hypothesis for future research rather than a definitive conclusion, given that this study examines only a single trading halt event and index. The borderline significance of the paired t-test for abnormal returns (Sig. = 0.064) also leaves open the possibility that a genuine pre-to-post difference exists but could not be confirmed with the statistical power available in the current study design.

Future research incorporating multiple trading-halt events across different market conditions, longer event windows, and control groups of non-halted stocks would provide a more rigorous basis for evaluating the true effectiveness of circuit breaker mechanisms in the Indonesian capital market. Additionally, incorporating microstructure measures, such as bid-ask spreads and order imbalance data, would enable a more comprehensive assessment of how trading halts affect market liquidity and price efficiency in emerging market settings.

5. Conclusions

5.1. Conclusion

This study examines the market reaction to the trading halt implemented by the Indonesia Stock Exchange (IDX) on January 29, 2026, by analyzing abnormal returns and trading volume activity of IDX30 constituent stocks using an event study approach with an eleven-day event window (T-5 to T+5). The empirical results reveal that significant abnormal returns occurred exclusively at T-5 (Significant. = 0.042), indicating that the market had already begun to react five days before the trading suspension was implemented. No other days within the event window, including the event day itself and all post-halt days, exhibited statistically significant abnormal returns. Trading volume activity is insignificant across all 11 event window days. Furthermore, the paired-sample t-test found no statistically significant differences in abnormal returns (Sig. = 0.064) or trading volume activity (Sig. = 0.183) between the pre- and post-event periods.

These findings offer preliminary insights into the role of trading halt mechanisms in emerging capital markets. The results tentatively suggest that, in this particular case, the trading halt may not have substantially altered investor trading behavior or generated meaningful post-halt price adjustments among IDX30 stocks. For regulators, this raises the possibility that circuit breaker mechanisms may function more effectively as a reactive safeguard than as a proactive stabilizer when the primary information shock, in this case, the MSCI index freeze, has already been publicly disseminated prior to the halt's implementation. For investors, the pre-event reaction observed at T-5 suggests that monitoring early distress signals in the days preceding regulatory intervention may be more informative than observing price behavior after the suspension has been lifted.

5.2. Research Limitations

Several limitations should be acknowledged when interpreting the findings of this study. First, this study is based on a single trading halt event on a single trading day, which limits the generalizability of the conclusions to other market conditions or to different types of trading interruptions. Second, the analysis is restricted to the 30 constituent stocks of the IDX30 index, which represent only the most liquid and large-capitalization segments of the Indonesian market. Third, the short event window and estimation period constrain the statistical power of the hypothesis tests, particularly for paired-sample comparisons. Fourth, the absence of microstructure measures, such as bid-ask spreads and order imbalance data, means that the liquidity dimensions of the market reaction could not be fully captured in this study.

5.3. Suggestions and Directions for Future Research

Future research can build on these findings in several ways. Examining multiple trading-halt events across different market cycles and triggering conditions would allow for more robust and generalizable conclusions about circuit breaker effectiveness in Indonesia. Extending the event window and employing longer estimation periods, where data availability permits, would improve the statistical power of the hypothesis tests. Incorporating liquidity measures such as bid-ask spreads, market depth, and order imbalance provides a more comprehensive picture of how trading halts affect the market microstructure. Additionally, comparative studies across multiple Southeast Asian emerging markets would help determine whether the patterns observed in this study are specific to the Indonesian context or reflect broader regional market characteristics.

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Author Contributions

DHNN contributed to the conceptualization of the research, research design, and supervision of the study. LH contributed to data collection, data analysis, interpretation of results, and manuscript writing. Both authors have reviewed, revised, and approved the final version of the manuscript.

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