THE TECHNICAL ANALYSIS FOR BUYING AND SELLING DECISIONS: A CASE STUDY OF ASTRA INTERNATIONAL (ASII) STOCK

by

Iskandar Zulkarnain [*)]

ABSTRACT

Keller (2008), an expert in technical analysis and writer of "Breakthroughs In Technical Analysis" stated that currently more and more trading activity than investment motive, especially in emerging market such as Indonesia Stock Exchange (IDX).   This statement is truly dependable since technical analysis focus on the strategic decision about when to buy and when to sell the selected stock. This decision is crucial for stock trading in order to maximize profits while minimized loss. When the traders selected a stock to buy, they should know exactly that the prices in increasing rapidly so an uptrend is formed for several next days. This stock most probably will bring high return at the certain low risk (cut loss). This condition is called "higher return low risk" in stock trading. The problem for the traders is to determine the timing for buying the selected stock. In this case the traders can determine the timing by tracking the trend breakthrough. When the trend is forming a pattern which is called "break up trend", so the stock must be bought instantly. When the trend is forming a pattern which is called "break down trend", so the stock must be sold as soon as possible. This study is based on the experience in tracking the trend of Astra International (ASII) stock prices by using Home Online Trading System (HOTS) for years.

Key Words: break up trend; break down trend, strategic decisions, buying and selling, stock trading, and IDX.

[*)] director of IDX Corner at Economic and Business School of Bengkulu University.

INTRODUCTION

The Astra International Stock (ASII) become one of the blue chips stocks in Indonesia, especially because of three matters, that is: 1) ASII become the most liquid stock, 2) the trend mostly uptrend, 3) ASII become a big capitalization in the Indonesia Stock Exchange (IDX). The ASII price continues to progress in the uptrend at least for the last five years, from the year of 2007 up to 2011. Afterwards during 2012 began to experience the rise and fall, and the downtrend in May 2012. To prevent the fall of the price, then Astra International Corporation carried out the strategy of stock split 10 for 1 share. However, it was not yet successful to reverse the downtrend turned to the uptrend like before.

Fundamentally the ASII stock was still being very strong, both from the analysis of the capital structure, the dividend payment policy, and the earning per share during more than ten years.   Surprisingly for the traders that suddenly the ASII stock price fell below the resisten at 70000 and even achieved the lowest point at 65000. Paid close attention to this condition the traders must study the trend deeper if they want to continue making the ASII stock as the primadonna in stock trading. This phenomenon shows the anomaly since the fundamental

analysis becomes the contrary to the technical analysis. Fundamentally the ASII stock is still very strong, but technically the trend plum at the end of May 2012. The question is "why the anomaly is still happened in the case of ASII stock in the year of 2012?"

The decisions to buy or to sell the stock must be based on the comprehensive technical analysis, not just fundamental. The aim of this study is to determine the backward testing in order to reveale whether the theory of the technical analysis has failed to be the foundation in making buy and sell strategy for the traders. As we know that fundamentally the ASII stock fundamentally is still in the limit criteria "good", but why the price of the stock falls penetrates the resisten at 70000 in the year 2012. The most serious problem in this study is: "why does the prediction of the price of the stock has missend, especially in May 2012". Is this phenomenon proof that the fundamental analysis is not true anymore in a dynamic market such as the Indonesia Stock Exchange (IDX).

During 2011, the ASII's price saw 31 percent growth, closing at 74000. However, in the middle of 2012 the prices fluctuate in the last two months, topping out at 79400 on January 27 and plum to 65000 in the last of May 2012. According to MNC Securities head of research Edwin Sebayang the stock split would strengthen ASII prices in the future. He said that the stock split will give opportunities to a broader investors to buy the ASII stock, driving the stock to be even stronger and liquid than before. He also said that the stock split become as an anticipation of the increase in Astra's net profit in the future as automotive sectors leader in the country will keep growing.

During the year of 2007 the Indonesian stock market reached the peak of the glory by breaking the record of the fantastic rise. The stocks of blue chip, including the ASII also took part in being jacked up rose from the range at 30000 took off penetrated the trend at 40000 only in time a year. The uptrend of the ASII stock prices in 2007 was showed by the graph of the technical analyses in the program of Home Online Trading System (HOTS) that was compiled by the team of the researcher e-Trading Securities Corporation, the best broker in Indonesia, as in figure 1.

Figure 1. The track of the increasing trend of the ASII in second semester of the year 2007.
Source: Home Online Trading System (HOTS), e-Trading Securities, Corp.

During 2011 the prices of the ASII stock began to slow down from its increasing, but it is still remaining at around 76000 and 75000. The slowing down of the increase in the prices of the ASII stock during 2011 can be traced by using the Home Online Trading System (HOTS) which has been publicly by e-Trading Securities Company. This company is the best broker in Indonesia Stock Exchange (IDX). The track of the ASII stock trend as in figure 2.

Figure 2. The track of the slowing uptrend of the ASII in second semester of the year 2011.
Source: Home Online Trading System (HOTS), e-Trading Securities, Corp.

Entering the year of 2012 the prices of the ASII stock could reach its peak to 79500 (the same as 7950 after stock split), afterwards pluming achieved the lowest point to 65500 (the same as 6500 after stock split). The falling of the prices of the ASII stockre in the first semester in 2012 can be explained in the program of Home Online Trading System (HOTS) along as in figure 3.

Figure 3. The track of downtrend of the ASII in 1st semester of the year 2012.
Source: Home Online Trading System (HOTS), e-Trading Securities, Corp.

The fundamentalists argue that the cause of the fall of the price of the ASII stock in the first semester in 2012 was a rumour about the price increase of world oil that increasingly increased especially because of the increase in the political crisis in Persian Gulf countries. From the point of technialist this fall was only caused by the excess of the supply against demand in the stock market. It means that for the traders the fundamentalist argument can not be relied on in the dynamic market such the Indonesia Stock Exchange (IDX). They should track the trend breakthrough in order to buy and sell the stock if they want to beat the market.

Literature Review

Farmer and Joshi (2002: 149-171) find that a deterministic trading strategy, i.e., buying and selling strategy, can be based on the signal that formed from past prices processing element that uses external information and past prices as inputs and incorporates them into future prices. According to Farmer and Joshi (2002: 149-171) a stock trading strategy could be based on the chart pattern. The chart pattern was formed from the movement of the historic prices from the certain stock. The movement of the price of the stock could be compiled in the graph statistic with the exact model. Basically the chart pattern is composed by two type of graphic that is candlesticks and moving average line of statistics. The combination from two kinds of graphs further could be made a various model of pattern of the movement of the stock price that could be matched with the interests of the short-term stock traders. Basically the technical analysis development was based on two types of the graphs or charts, that is the graph of the candlesticks and the line trend charts. The candlestick charts was developed in Japan based on the model that was used by the rice traders in the Meiji restoration time. Whereas the trend line charts was developed in the United States based on the model that was used in the option trading in the Wall Street Stock Exchange in New York in the years of 1960s. Each type has the superiority and the weaknesses. The the candlestick charts is simpler, it is easy to be understood but Japanese language is less popular than the English, so as to not all interested taken in them. The graph model trend faster developing and often was used because more could be accepted by the academic's circle (Keller, 2008; Appel, 2005). Various models succeeded in being developed by the analysis of technical researchers, both used the model statistic and the theory of probabilistic. Leung, et.al., 2000: 173-190) proved that the use of the model that combined the model statistic and neural probabilistik evidently more exact in determining the prediction of the prices of the share in the short term (the daily). The stockbrokers that used system that was made be based on the combination model statistic and neuaral was proven more was successful in make use of momentuk the movement of the price of the share, that is determining the strategy bought and sold by means of following the tracks of the change direction tren the prices of the share of the daily.

Jegadeesh, et.al. (1993) find that in the inefficient market such as the Indonesia Stock Exchange (IDX), there will be happenend the excess return in stock trading. The chart pattern in very short time can be useful for the winner and also can be suffering for the losser in stock trading. This matter happened because of the existence of the information gap around the perpetrators of the market and the company's executive. Mithas, et.al. (2006) find that stocks of the company that succeeded in satisfying the consumer will cause the excess return for the investor. According to them the company that succeeded in satisfying the consumer caused overbought towards the stock in the market, so that pushed the price increase. Further it was explained that the stock of the company that achieved the condition for the consumer's satisfaction, it was considered involved a low risk and imported the higher profit. The company

that satisfied the consumer was believed will continue exist in the long term, so as to promise the profit for the investors and trader.

ZHANG (2006) find the existence proof of relations between the anomaly of the prices of the stocke and the uncertainty of information in the inefficient market. In the condition for the information uncertainty, if having the good news will be followed by the rise trend the prices of the stock in the stock trading. On the other hand if having the bad news, then always will be followed by the decline in the prices of the stock especially in the short-term trade. In other words if traders' strategy is effective, so they can predict the price movement from the chart pattern, at least for one day previously. This finding is supported by Kaniel, et.al. (2008) who find the connection between a reversal of the price stock in the very short period run, also the stock that were not liquid although being carried out control towards the volume of the trade.

Murphy (2012) explained the strategy to buy and sell of the stock by finding the support and resistance levels in the daily stock trading. According to the strategy the best price to buy a stock is near its support levels because that price is usually a previous reaction low. Further he argues that the best price to sell a stock is near its resistance levels because the resistance is usually a previous peak. This strategy will maximize profits while minimize loss, became very beneficial for the short-term traders in short time stock trading in the inefficient market such the Indonesia Stock Exchange (IDX). This strategy will reduce the risk of loss while increase profits, so is called "let the profit continue and stop the loss immediately" or "let profits run further and stop loss as soon as possible." As long as the trend is still increasingly to reach the top, traders just prepare to sell. When the trend reaches the peak and start to decline, as soon as penetrate the tolerance limit, the stock must be sold. However, the question for the traders is the decision buy of a stock. This question is rather complicated to solve since the decision to buy is often can do wrong.

Based on Murphy's empirical studies after a resistance peak has been broken, it will usually provide support on subsequent pullbacks. He concluded that the previous "high" becomes the new "low" and when a support price has been broken, it will usually produce selling on subsequent rallies – the previous "low" can become the new "high." Based on the Murphy's finding above we can draw the strategy to buy and sell a stock which is called "track the trend breakthrough: buy when the trend breakup the peak, wait if the trend does not yet break the peak or the trough, and sell when the trend breakdown the trough. This strategy can be explained by pay close attention to figure 4.

Figure 4. The peak and the trough from the uptrend of the ASII stock price.
Sources: Home Online Trading System (HOTS), 1st semester of the year 2011.

Ritter (2003) find that behavioral finance encompasses research that drops the traditional assumptions of expected utility maximization with rational investors in efficient markets. According to (Ritter, 2003) the two building blocks of behavioral finance are: 1) how investors think about the market, and 2) when market will be inefficient. The traditional studies is failed to explain some anomaly markets such as market bubbles in Japan, Taiwan, and United States. From behavioral finance perspective, the most important question for traders in a dynamic turbulence market such the Indonesia Stock Exchange (IDX) is how to take profits from the track the trend breakthrough. This approach is more beneficial both in an uptrend (bullish) and a downtrend (bearish) market. This finding is matching to the traders expected about making more profits with a limitation risk. In contrary with the investment principle of higher risk higher return, this strategy creates higher return with lower risk.

According to Ritter (2003) after the price penetrated lower peak before, then confirmation happened a bullish trend. That confirmation was marked by breakthrough a lower peak before and the price began to form the higher peak pattern. In other words the new peak happened that the trough become higher than the value of the peak/trough before. The Dow Theory departed from the existence of the assumption that the price moved in three important phases that is: 1) the existence of the accumulation of the price, 2) the traders participation and 3) the distribution of the price. A recession from peak to trough in the term trading normally was mentioned with bearish market. Meanwhile a recovery from trough to peak normally was mentioned with bullish market. Both of them entered in the participation phase (trending). The main weapon in doing peak and through analysis of the price movement is the graph (Brown, et.al, 1998).

Suzanne, et.al. (2005: 531-548), find that in recent years, the validity of the weak form efficient market hypothesis (EMH) has been called into questions. This question is emerged from several studies that have uncovered evidence if the technical trading rules have predictive ability with respect to both developed and emerging stock market. This study analyze the forecasting power of two of the most popular trading rules using index data for a selection of 11 European stock markets over the January 1991 to December 2000 period. These findings shows that the emerging markets included in this paper are informationally inefficient; hence these markets displayed some degree of predictability in their stock returns. However, in the developed markets this predictability did not occur. Furthermore, the results point to large differences in the performance of the rules examined. Small size filters consistently outperformed the buy-and-hold strategy in the emerging markets even after the consideration of transaction costs. The performance of the moving average rules was erratic and varied dramatically from market to market.

Stephan (2009: 190-201) find that when the empirical study was based on daily data, the profitability of 2580 technical models has steadily declined since 1960, and has been unprofitable since the early 1990s. However, when the study was based on 30-minutes-data the same models produce an average gross return of 7.2% per year between 1983 and 2007. These results do not change substantially when trading is tested over eight sub periods. In particular, there is no clear trend of a declining profitability of technical stock trading based on 30-minutes-data. Those 25 models which performed best over the most recent sub period produce a significantly higher gross return over the subsequent sub period than all models. Between 2001 and 2007 the 2580 models perform worse than over the 1980s and 1990s. This result could be due to stock markets becoming recently more efficient or to stock price trends shifting from 30-minutes-prices to prices of higher frequencies.

Fangjian (2009: 24-37) argued that the theories such as Merton (1987), a simple model of capital market equilibrium with incomplete information, predict a positive relation between idiosyncratic risk and expected return when investors do not diversify their portfolio. However, Ang, et.al, (2006) find that monthly stock returns are negatively related to the one-month lagged idiosyncratic volatilities. This findings show that idiosyncratic volatilities are time-varying and thus, their findings should not be used to imply the relation between idiosyncratic risk and expected return. Further. by using the exponential GARCH models to estimate expected idiosyncratic volatilities, Fangjian (2009: 24-37) find a significantly positive relation between the estimated conditional idiosyncratic volatilities and expected returns. Furthermore, this evidence suggests that Ang et al.'s findings are largely explained by the return reversal of a subset of small stocks with high idiosyncratic volatilities.

Campbell, et.al, (2009: 66-91) concluded that several questions about the trade in the stock market by the institutional organization, not the individual, was caused the change in ownership structure in United States. In the United States, however, institutions are only required to report their ownership quarterly in 13-F filings. These questions infer daily institutional trading behavior from the "tape", the transactions and quotes database of the New York Stock Exchange (NYSE), using a sophisticated method that best predicts quarterly 13-F data from trades of different sizes. This study proof that daily institutional trades are highly persistent and respond positively to recent daily returns, but negatively to longer-term past daily returns. Institutional trades, particularly sells, appear to generate short-term losses—possibly reflecting institutional demand for liquidity—but longer-term profits. One source of these profits is that institutions anticipate both earnings surprises and post-earnings announcement drift. These results are different from those obtained using a standard size cutoff rule for institutional trades.

Data and Methodology

Data in this study is collected from the historical prices of ASII stock that publicly by e-Trading Securities, Company. This data are available in Home Online Trading System (HOTS) for free. The data collection was limited by the period July-December 2007, the period of January-June 2008, the period of July-December 2008, the period of January-June 2009, the period of July-December 2009, the period of January-June 2010, the period of July-December 2010, the period of January-June 2011, the period of July-December 2011, and the period of January-May 2012. This limitations based on the consideration that these periods were matching with the objective of this research, i.e., to proof if the technical analysis has a predictability power in order to determine buy and sell decisions for the traders in case of the ASII stock price movement pattern.

This study uses the traditional methodology of the technical analysis, especially on the chart pattern that can be useful for the traders in decision to buy and sell the stock. This methodology has been studied by Levy (1971), Osler (1998), Dempster and Jones (1998a), Chang and Osler (1999), and Lo, Mamaysky, and Wang (2000). This methodology focuses on the profitability of the trading strategy related to chart pattern. This methodology is based on Lo, Mamaysky, and Wang finding (2000) about the informational content of chart pattern in short time (daily) stock price movement. The assumption in this methodology is that Indonesia market is not efficient, particularly in very short time interval (Chardia, et.al. 2003).

This methodology consists in identifying the regularities of time series of the ASII stock prices, limited to daily price movement. In this methodology the significant daily price

movement of the ASII stock contributes to the formation of a specific chart pattern which is available in the Home Online Trading System (HOTS). The combination of the Simple Moving Average (SMA) and the Candlesticks give the chart pattern that can be useful for the traders in determining the decision to buy and sell the ASII stock in daily trading.

Findings and Discussion

The results based on observation towards the movement of the price of the Astra International stock (ASII) in the period of November-December 2007, the period of January-June 2008, the period of July-December 2008, the period of January-June 2009, the period of July-December 2009, the period of January-June 2010, the period of July-December 2010, the period of January-June 2011, the period of July-December 2011, and the period of January-May 2012, could be investigated three chart patterns of the ASII stock the price movement.

I. The period of November-December 2007.
The trend of the ASII stock prices from month of July to December 2007 shows the uptrend chart pattern. This uptrend was very beneficial for the traders if they were using the strategy bought at the time of the breakup trend that is in and around month of November 2007, afterwards sell the ASII stock at the end of December 2007. The profit that was obtained was 3200 (28800-25600 or 2880-2560 after the stock split) per share with the level of zero loss (see Figure 5).

Figure 5. Period of November-December 2007: buy at 25600, sell at 28800 per share.
Source: Home Online Trading System (HOTS), e-Trading Securities, Corp.

The graph of figure 5 explained the area of the occurrence of break up trend, that is in the middle of November 2007. Afterwards it has happened the break down trend in the middle of December 2007 where necessarily the ASII stock has been sold before experiencing the reversal of the direction descended. This strategy gave profits as big as 3200 per share (or 320 per the share after the stock split).

II. The period of January-June 2008.
In the period of January-June 2008 the decline happened in the trend of the movement of the price of the ASII stock. Due to the decline in the trend, so the ASII stock had has been sold in December 2007 and could create the profit for the traders. In the period of January-June 2008 the stock traders ought to no longer trading in the ASII stock, they ought to switch to looking for other stock that was experiencing trend rose in the movement of stock price. By leaving the ASII stock that was experiencing trend descended in this period, then the stock traders will be avoided from the loss that might be true (see figure 6).

Figure 6. The period of January-June 2008: prohibited to trade the ASII stock.
Source: Home Online Trading System (HOTS), e-Trading Securities, Corp.

Figure 6 explained how the occurrence descended trend in the movement of the price of the ASII stocke, so as to avoid the loss that might not necessarily, hence the traders no longer held the ASII stock. They ought to search the other stock that was experiencing the uptrend in the movement of the stock price.

III. The period of July-December 2008.
In the period of July-December 2008 again it was happened the descended trend continued (down trend) in the ASII stock. This condition was continuation of the period January-June 2008 in which at the end of 2008 the price of the ASII stock plumed at the bottom as a result of the global monetary crisis (see figure 7).

Figure 7. The period of July-December 2008: ASII stock was pluming into the bottom.
Source: Home Online Trading System (HOTS), e-Trading Securities, Corp.

Figure 7 explained how the global monetary crisis caused the pluming of the ASII stock and reached the lowest point. At the time the Indonesian Stock Exchange (IDX) also experienced destruction, it was buried to the lowest point after being successful at the end of 2007. In the condition like this, it was necessarily that the traders no longer carried out the trading activity in the stock exchange, they should be waiting until the condition for the market to improve again.

IV. The period of January-June 2009.
In the period of January-June 2009 the Indonesian Stock Exchange (IDX) began to rise again and continued to progress formed the pattern uptrend or start to become the bullish market. The traders ought to make use of the opportunity by carrying out the purchase of the ASII stock at the price 14000 per the shareet (or 1400 after stock split), afterwards sold the stock in the price of 25750 (or 2750 after

stock split). This strategy imported the profit as big as 11750 per share. A quite big profit only in time of three months (see figure 8).

Figure 8. The period of January-June 2009: buy at 14000, sell at 25750 per share.
Source: Home Online Trading System (HOTS), e-Trading Securities, Corp.

In the period of January-June 2009 (see figure 8), the movement of the ASII stock price again formed the uptrend after experiencing the fall at the end of 2008. This uptrend could make use of by the traders, that is by carrying out the purchase of the ASII stock at the price of 14000 per share. Further the traders kept the ASII stock up to the highest point, that is at the price of 25750 per share. This pattern of the uptrend in this period created the profit as big as 11750 per share (or 1175 per share after the stock split).

V. The period of July-December 2009.
In the period of July-December 2009 the increasing of the ASII stock trend start to slow down. Nevertheless the traders still could create the profitS in the number relative small, that were be bought in the price at 30000 per share and sold the ASII stock at the price 35500 per share (or 3550 after stock split, see figure 9).

Figure 9. The period of July-December 2009: buy at 30000, sell at 35500 per share.
Source: Home Online Trading System (HOTS), e-Trading Securities, Corp.

Figure 9 explained how the rising trend the movement of the price of the ASII share began to slow down. Nevertheless the traders still could create the low profit, that is of 5500 (or 550 after stock split) per share. The traders began pay close attention to in depth whether the slow down trend this will continue in the period January-June 2010 (see figure 9).

VI. The period of January-June 2010.

        Evidently the slow down trend in the price of the ASII stock indeed continued until before the end the priod of January-June 2010 (see figure 10). Just in June the traders could carry out the re-purchase of the ASII stock at the price of 42200 per the share (or 4220 after stock split). Further the traders were preparing to determine when they must sell the ASII stock if it was happening the breakdown trend in the pattern of the movement of the ASII stock price.

Figure 10. The period of January-June 2010: buy at 42000, sell at 5000 per share.
Source: Home Online Trading System (HOTS), e-Trading Securities, Corp.

        At the end the period of January-June 2010 the chart pattern of the ASII stock price began to be turning (reversal) headed the downtrend. Therefore, the traders immediately must sell this stock, and then furthermore the traders would be waiting for the development of the chart pattern, while continuing pay close attention towards the fluctuation in the price of the ASII stock price movement.

VII. The period of July-December 2010.

        The period of July-December 2010 show the sideways of the ASII stock price movement. According the rule of "let profits goes up, stop loss immediately at 5%", so in this period the traders should to stop trading on the ASII stock. They should seek other stock which is experiencing the uptrend (see figure 11).

Figure11. The period of July-December 2010: the sideways chart pattern, stop trading.
Source: Home Online Trading System (HOTS), e-Trading Securities, Corp.

        Figure 11 explained the sideways of the ASII stock price movement pattern in the period of July-December 2010. However for the professional traders this condition is still beneficial by "picking pocket" on the thin profits (see figure 11). The traders could create thin

profits if they buy at 48000 per share, and then sold the ASII stock immediately at the price of 54000 per share (or 5400 after the stock split).

VIII. The period of January-June 2011.

In the period of January-June 2011 the slow downtrend of the ASII stock price continued and then formed the sideways trend. Although this condition was not good for the ASII stock trading, at the end of the period I was still beneficial for the traders. In the early of June 2011 the traders could buy the ASII stock at the price of 59000 per share (or 5900 after the stock split). Afterwards the traders could sell the ASII stock at the price of 64000 (or 6400 after the stock split). In this momentum the traders could take the profits of 5000 per share (or 500 after the stock split).

Figure 12. The period of January-June 2011: buy at 59000, sell at 64000 per share.
Source: Home Online Trading System (HOTS), e-Trading Securities, Corp.

Figure 12 shows the end of the slow down trend of the ASII stock price in the period of January-June 2011. In this case the traders only was successful created profits relatively small, but still better than suffering loss (see figure 12).

IX. The period of July-December 2011.

In the period July-December 2011 the chart pattern happened on the sideways trend, so as the strategy that ought to be chosen was to be waiting for the direction of the trend following. If the trend continued to form the pattern of descending, then it was better for the traders to look for the other alternative stocke for their trading activity. Evidently in the period January-May 2012 the chart pattern of the ASII stock price tended to descend and achieved the lowest point in May 2012. The strategy that must be taken was aparting now with the ASII stock, then look for the other stocks that were forming the rising trend. Following in the period of January-May 2012 the pattern of the movement of the price of the ASII stock formed the descending trend, the price of the ASII stock fell to the lowest point reached 65000 per the share from the highest point of 75000 per the share in December 2011. Necessarily the stock had been sold in the price of 75000 at the beginning of December 2011 if being bought at the end of October 2011 at 69000, so the traders got the profit as big as 6000 per share (see Figure 13).

Figure 13. The period of July-December 2011: buy at 69000, sell at 75000 per share.
Source: Home Online Trading System (HOTS), e-Trading Securities, Corp.

Figure 13 shows the continuation of the sideways trend of the ASII stock price movement. Again the traders were still gaining a little profit at the end of December 2011. They could buy the ASII stock at the price of 69000 per share (or 6900 after the stock split), and then sell it at the price of 75000 per share (or 7500 after the stock split).

X. The period of January-May 2012.

In the period of July-December 2011 the chart pattern happened the sideways trend, so as the strategy that ought to be chosen was to be waiting for the direction of the trend following. If the trend continued to form the pattern of descending, then the traders should to look for the other alternative stock to be traded. Evidently in the period January-May 2012 the chart pattern of theASII stock price tended to descend and achieved the lowest point in May 2012. The strategy that must be taken was aparting for a moment with the ASII stock. The traders must to look for the other stock that were forming the rising trend. Following the period in January-May 2012 the chart pattern of the movement of the price of the ASII stock formed descended trend, the price of the ASII stock fell to the lowest point reached 65000 per the share from the highest point of 75000 per the share in May 2012. Necessarily it has been sold in the price of 75000 at the beginning of December if being bought at the end of October at 69000 (or 6900 after the stock split), so the traders got the profit as big as 6000 per share (see Figure 14).

Figure 14. The period of January-May 2012: sell immediately at 78000 per share.
Source: Home Online Trading System (HOTS), e-Trading Securities, Corp.

Figure 14 shows the decline of the ASII stock price movement. In this condition, the traders should sell the ASII stock at the price of 79000, and then stop trading the stock for the

moment. After selling the ASII stock in the early January 2011, the traders were prohibited to trade of the ASII stock.

Likewise during other periods of the year around 2008, 2009, and 2010. The strategy that was used was similar, that is bought at the time of breakup and sold at the time of breakdown. If the trend formed a sideways pattern, then the strategy that was taken was to be waiting until the formation of the following pattern. If trend the next one formed the pattern of descending, then the strategy that was taken was to leave the ASII stock, for the time being looked for other stock that were forming the uptrend pattern. By using the strategy like this, then the profits will be becoming maximum while the loss become minimum.

Conclusion and Implications

From the observations of 10 periods of research it is clear that as long as the traders use the strategy of buy at the breakup, hold at the sideways, and sell at the breakdown; hence they still taking maximum profits and suffer at a minimum loss. These findings are accordance with the technical analysis theories, even when using the traditional methodology. This happen because of the informational content in very short time stock trading. From the behavioral finance assumption this is logically accepted since the price movement pattern in daily stock trading is the reflection from the demand and supply excessive. In case of the ASII stock the traders could beneficial if they used the strategy.

Further, in the development of chart model analyses currently the strategy of stock trading in very short time range can be made easier for the traders. They just must follow the three rules: 1) Select the uptrend of stock price, 2) buy at the breakup, and hold until the trend breakout, and 3) sell at the breakdown or cut the loss at no more than 5% from the last price before the breakdown occur. In conclusion, in the turbulence market such the Indonesia Stock Exchange (IDX) the technical analysis will become more and more beneficial than the fundamental analysis.

REFERENCES

Ang, Hodrick, Xing, and Zhang, 2006. The cross-section of volatility and expected returns. *Journal of Finance*, Volume 61, pages 259–299.

Brown, Stephen J., William N. Goetzmann, and Alok Kumar, 1998. The Dow Theory: William Hamilton's Track Record Reconsideration, *The Journal of Finance*, Vol.LIII, no.4, August.

Campbell, John Y, Tarun Ramadorai, Allie Schwartz, 2009. Caught on Tape: Institutional Trading, Stock Returns, and Earnings Announcement, *Journal of Financial Economics,* Volume 92, Issue 1, April 2009, pages 66-91.

Farmer, J.Doyne and Shareen Joshi, 2002. The Price Dynamics of Common Trading Strategies. *Journal of Economic Behavior & Organization,* Volume 49, Issue 2, October, pages 149-171.

Fornell, Claes, Sunil Mithas, Forrest V. Morgeson, III and M. S. Krishnan, 2006. Customer Satisfaction and Stock Prices: High Returns**,** Low Return, American Marketing Association, *Journal of Marketing,* Vol. 70, no. 1 (Jan., 2006), pp. 3-14.

Fu, Fangjian, 2009. Idiosyncratic Risk and the Cross-section of Expected Stock Returns, *Journal of Financial Economics,* Volume 91, Issue 1 (January), Pages 24-37.

Jegadeesh, Narasimhan and Sheridan Titman, 1993. Returns to Buying Winners and Selling Losers: Implications for Stock Market Efficiency, *The Journal of Finance*, vol. 48, no. 1 (March), pp. 65-91.

Kaniel, Ron, Saar, Gideon and Titman, Sheridan , 2008. Individual Investor Sentiment and Stock Returns, (September), *NYU Working Paper* No. FIN-04-023.

Merton, Miller. 1987. A Simple Model of Capital Market Equilibrium With Incomplete Information, *Journal of Finance,* Volume 42, 483-510**.**

Obizhaeva, Anna, Jiang Wang 2005. *Optimal Trading Strategy and Supply/Demand Dynamics*, NBER Working Paper No. 11444.

Reynaldi, Bertrand, 2012. *Home Online Trading System (HOTS*), Jakarta: Research Division of e-Trading Securities Company.

Ritter, Jay R., 2003. "Behavioral finance," *Pacific-Basin Finance Journal*, Elsevier, Vol. 11(4), pages 429-437.

Schulmeister, Stephan 2009. Profitability of Technical Stock Trading: Has It Moved from Daily   to Intraday Data, *Review of Financial Economics,* Volume 18, Issue 4 (October), pages 190-201.

Suzanne, G.M.Fifield, David M. Power, and C. Donald Sinclair, 2005. An Analysis of Trading Strategies in Eleven European Stock Markets, *The European Journal of Finance*, Volume 11, Issue 6, pages 531-548**.**

Zhang,˙ Frank K ., Zhang, X. F. 2006**.** Information Uncertainty and Stock Returns, *The Journal of Financ*e,Volume 61, Issue 1, pp. 105–137.

●