

ABSTRACT

The research aims to examine the effect of market perception in stock prices formulation using Growth Value Map (GVM) approach. The research focuses on assessing the significancy of corporate financial performances, stock market performances, and macroeconomic condition in affecting market/investor's perception on the company's future growth (Future Growth Opportunity / FGO). The FGO is defined as the difference between market stock price with stock price according to its earnings per share (EPS), which are both expressed in relative numbers to its book value. The higher the value of the FGO, the better the market perception or assessment of future company growth.

Research was done using sample of 82 non-financial companies listed in Indonesia Stock Exchange (IDX), which represent more than 80% of stocks capitalization value within 2002-2009. The research concludes that the market/investor's perception of company's FGO is more affected by stock market performances and macroeconomic condition than corporate financial performances. However, the corporate financial performances, especially level of profitability and business expansion, remain a focus for market participants in assessing the company's FGO, although its role is limited.

Conclusions from the research are generally consistent with a questionair result of 42 market participants representing several securities companies. Market participants tend to put corporate financial performances, stock market performances and domestic macroeconomic condition as well as global economy as the main factors in perceiving the company's FGO. However, the questioner result strongly indicates that the level of profitability and business expansion activities remain as the important factors that influence the perception of company's FGO.

From corporate perspective, conclusion of the research indicates that the company's management policy is not able to strongly influence investor perception of FGO because of the domination of market participant's behavior in any movement of market sentiment. Nevertheless, corporate managers are still able to manage market perception mainly by maintaining positive sentiment of the company through a policy directed to keep stocks actively traded and minimizing the possibility of company's negative news. In addition, managers, especially who are related to business capacity development must continually put attention to company's financial performance. Furthermore, the conclusion of the research also emphasizes the importance of macroeconomic policy that is able to maintain market confidence.

Keywords: market perception, Future Growth Opportunity, IDX, corporate financial performances and macroeconomic condition.