



RESEARCH PAPER

Fundamental and technical analyses for stock investment decision making

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Abstract. This study is aimed at reviewing fundamental variables, and technical factors that have been considered in stock investment decisions as well to determine which of the two approaches is more dominant. The study employed factor analysis and compared means test using sample of investment managers and individual investors in Bandung. About 100 respondents were propagated using proportional random sampling. This study found that almost all of the fundamental factors play role in the investment decision, including interest rate, ratio of profitability, leverage ratio, dividend payout ratio, and asset turnover ratio. While among the technical variables, the historical data analysis is the major consideration. With regard to the selection of preferred approach, the observation indicates that none of the analysis is more dominant.

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INTRODUCTION

Capital markets are influenced by several factors, including uncertainty in the future domestic macroeconomic circumstances and the world monetary state. These factors as well as many other factors make those prices in the stock market fluctuate. Not to mention that the risk of failure cannot escape any investment decisions due to the uncertainty in the future. It requires the investor to know the various kinds of information. The information obtained can be used as reference materials used by decision makers in analyzing investment before making a decision. The purpose of the analysis is to perform a strategy in the selection process and decision-making. There are two main methods that can be used as an analytical tool for investment strategy, the fundamental and technical analyses. Various paradigms began to take shape due to

differences of opinion on both the analysis. Fundamental analysis and technical analysis are two main approaches to investing in the stock market. Fundamental analysis is a process with a long enough period of time to investigate the state of the economy, politics, social, industrial and financial statements of the company. Fundamental is essentially historical analysis of the financial strength of a company, where the process is often referred to as the analysis of the company (company analysis). Technical analysis is one method of analysis or approach that evaluates the movement (trend) by studying past market data, primarily price and volume movements to predict price movements in the future. The analyst conducted a study using the chart where they hoped to find a pattern of price movements so that they can exploit for profit. Beside, which is the subject of research is the misconception in the use of fundamental and technical information as a reference in making investment decisions short-term or long-term. There are some investors who are still using the fundamental information for short-term and long-term

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