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Public Accuracy in the Prediction of Change Value as Trading Decision Making

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Abstract: ***The aim of this paper is to reveal the perceptions of individuals in making decisions for investments that are not only based on existing theories or models. This research uses qualitative method by looking at phenomenology aspect in the field. For the object of research is the behavior of each individual (traders) that impact on trading market behavior. Self-understanding is poured in instinct can be used as investment decision making especially stock trading. This research also provides information that quantitative method of calculation can be combined with qualitative as decision making. Individuals can use some models, but decisions depend on self-desires that cannot be poured on the results of calculations. As well as on trading that should get the Bid Price = Offer Price that is not able to predict theories.***

Keywords: Insting, Investment, Stock Price, Trading Decision, Phenomenology

1. Introduction

This paper is a description of the experiences that researchers have experienced at the Indonesia Stock Exchange. Where there is no need for a theory of fairness valuation of stock prices or the like as a reference for trading decision making. Based on the accuracy of looking at historical data of the state of the value of shares in each company then poured in the mind (natural instinct) and predicted using the rationality of the mindset to compare the state of the stock which according to heart (self and ontology) is suitable to be taken as a trading decision.

On the other hand, for example, even though stock price movements continue to rise significantly, we must remain cautious due to several conditions that must be considered, for example, where the company is located due to natural factors that could endanger the company, influenced by what the company's operations are, then any legal aspects inherent in the company (epistemology), at least know about the company's profile and the most important is the behavior of investors towards the movement of these shares. After knowing related to all the circumstances of the company, it depends on how investors formulate the situation for decision making (methodology).

Trading with investment is very different, "Traders are traders whose activities are buying and selling goods. It means as a stock trader, we will be the one who buys and also sells shares to get profit "(Compas Com, 01/30/2016). Stock trading is life and can be used as an attempt to make a profit even though the reality is not as sweet as it says. Many traders fail to trade stocks because they are not careful enough to read the situation. The most difficult thing experienced by a trader is to read the behavior of other traders, because in this position all traders have the same rational mindset in terms of stock trading, that is, looking for price differences from buying on the sale of shares to other traders and hoping that a cheap purchase price gets a price sell expensive. Difficult prediction of traders' behavior patterns due to not facing each other yet found a way how to read the characters between these traders.

The principle of trading is to determine the right value in selling an item so that the price is neither too high nor too low. In the principle of trading, we must understand how to do business in an ethical manner, not to cheat or cheat. Business ethics in Islamic studies has so far been based more on the Qur'an. We can imitate the ethics of the Prophet who in his day had successfully shown his people how to do good and honest trading. But what you have in mind is stock trading is halal or haram. Legally it was approved by government regulations. However, if examined further, there are people who are disadvantaged in stock trading. Stock trading is just selling the value of securities and there are no benefits on shares that are bought physically.

> "*Abu Hurairah that the Prophet (PBUH) banned the sale of hasah and the sale and purchase of gharar (for which the price, goods, time and place were not yet clear). Muslim hadith, no. 2783.*"

In the global economic world, business competition is a natural thing to do by business actors. Various strategies are used by companies to strengthen competitive action. Competition itself is sometimes done in a reasonable or unnatural way. Fair business competition is honest competition in accordance with applicable regulations and does not deviate from positive norms. On the other hand, unfair business competition is an dishonest act or an action that deviates from existing regulations to inhibit business competitors.

The thing that needs to be underlined in the business world is the fulfillment of capital needs. The business capital obtained varies greatly, as illustrated in the other side liability column balance sheet; venture capital obtained from debt, owner's capital, shares, dividends and so forth. In the context of businesses that meet the criteria for going public will increase their capital by issuing shares. Initially shares were in the form of securities, but as the times evolved, shares or securities changed into nominal forms, one of which was contained in the Indonesia Stock Exchange. On the Indonesia Stock Exchange (IDX), data related to shares are available, complete with company profiles. Starting from historical data on the state of the stock in a state that previously could be seen by the public. The public can see the condition of changes in stock prices per year, per month, per week, per day and even per second, making it easier for the public to assess which shares can be taken as trading needs.

In predicting changes in stock prices do not need to use the theories listed in lecture lessons or related studies. The public can see changes in stock prices for decision making only by looking at historical data available on the IDX. Generally, prospective traders are reluctant to analyze the state of the value of shares with existing theories due to convoluted and time consuming, but the results do not match the existing circumstances, because changes in stock prices change per second that the theory is unable to measure. Historical data on the value of the shares stated and can be seen clearly changes in the condition of the value of the shares. In addition, the IDX also provides brokers for prospective traders whose job is to direct prospective traders if they want to buy stocks that have good conditions. The public can consult directly with brokers, which stock decisions have good conditions and will be taken as trading needs.

Shareholders are people or organizations that have the right to a portion of the wealth according to what is contained in the shares held. Stock is a value that describes the condition of the company, starting from the size of the achievement of a business, the company's job prospects, accountant discipline as a reporter of financial statements to the public and good and bad condition of the company's finances. We can distinguish the size of the company by looking at the value of shares. The greater the value of shares per point, the greater the company.

The ability of individuals to assess all the conditions that exist in making trading decisions is needed here. Related to changes in changing economic, legal, political and other conditions must be understood and taken into consideration, as well as understanding each buyer's character from seeing the condition of changing stock values must be thoroughly thought out. There are several methods used to assess the fairness of stock prices. A simple example is using the Capital Asset Pricing Model (CAPM) technique. This CAPM is based on the idea that investors will choose a stock that can maximize expected returns for a certain level of risk, or minimize risk to obtain a certain expected return.

The relationship between the two parameters (risk and expected return) in the CAPM is formulated as follows:
$E(R_{it}) = R_f(1 - ß_i) + ß_i E(R_{mt})$

Explanation:
E(Rit) : expected return of stock i in period t
Rf: return from risk-free investment
Rm : return from overall market
ßi : beta of the company i

E (Rit) is the rate of return expected by an investor in a particular stock investment at a certain time. Rf is a risk-free return that can be compared to the interest rate of Bank Indonesia. Rm is the rate of return of the Composite Stock Price Index or JCI abbreviated. And ßi is a stock beta.

In making investment decisions investors usually use these techniques to predict the expected rate of return on stocks to be selected. Unlike investment, trading is part of an investment that uses a trading system. If the investor wants to use the method indicated by the CAPM, it is not suitable with the situation, because trading is trading securities which gain not from the return of the security but the difference from the sale of securities that have been bought by investors. Whereas to judge profit in trading is the selling price - the buying price - all costs = profit / loss. But in stock trading is very different from the principle of trading in general, a trader is unable to determine the stock price, a trader must follow the pattern of stock price movements that have been determined by the market. They are required to buy at the right price position that will provide more difference when a sale occurs. In this position the uncertainty over various possibilities is very difficult to predict, looking at aspects of stock price changes, aspects of market behavior with the mindset of each individual that is relatively the same. Similarity of thought can be seen from each individual who has a mindset looking to make the most profit from trading, it makes it difficult for an investor to predict the position of selling the right stock at what times. The question "how does a trader respond to these things?"

The most important thing is that the accuracy of buying and selling stocks must really be through unemotional and unselfish patience. In Hinduism, patience is also preferred for decision making. Like what is described in the "Book of Sarasamuccaya" sloka 94:

> "*Patience is the main wealth of heart, it is as gold and gems. People who are able to control lust (anger), nothing is beyond glory*."

(Subandi, 2011: 219). The attitude of patience is the attitude of controlling lust that generally exists in a person.

A trader is demanded to have high patience because market conditions will bring traders in a stressful position. If a trader slumped in a high emotional state, then concentration would be dispersed and carefulness to monitor the movement of stock values would be dispersed. The concept of 'patience' is generally studied in the context of morality and religion. For example, one must be patient in facing trials, one must be patient in obeying religious commands and avoiding religious restrictions (Asma, 2010; Turfe, 2009).

2. Methodology

Kirk and Miller (1986: 9) in Moleong J. Lexi (2013: 2), initially originated in qualitative observations as opposed to quantitative observations. To determine something in observation, the observer must know what characterizes the thing. Here it is clear that the value of shares in trading cannot be explained by existing models or formulas. The movement of stock prices in trading is influenced by the level of price determination of the market which is related in this case is the behavior of traders. Ontologically the object of social research is human (behavior). Triyuwono (2013), Man is essentially a very dynamic creature, having thoughts, feelings, experiences, personality, intelligence, intuition, and others. With this dynamic character, it is impossible for the dynamics of human life to be understood by quantitative methods. It should be noted that in fact the quantitative method departs from an assumption that the object under study is a static (silent) object. So it becomes inappropriate if this method is used for dynamic objects, humans can be measured.

New models or analytical methods are needed to explain the object of concern to make it easier to understand what is being hoped for. The desert method or approach chosen clearly must be based on the objectives of the object in this case the determination of stock prices for trading. From the phenomenon that there is very limited investor movement by the provisions, the investor must override his desire to get the maximum profit from the trading process.

To form a price agreement between one investor and another, a Matching Price is required. The situation will exist when the purchase price set by an investor is equal to the selling price set by another investor. To set the selling price of an investor, of course, refers to the purchase price of shares to be sold in the past to get a positive difference from the sale. However, in the determination there is no right method for determining a reasonable price.

To change the perception of investors in relation to this problem, an understanding of the object is needed. The presentation of this research proves that there is no need for a theory for determining the selling price or buying price of shares in trading. The phenomenon is that a trader determines the price by looking at the provisions that have been set by the Exchange and then relies on his instinct to set the right price so that it is responded quickly by the market. Here the investor is highly demanded to set a price which he considers the market not expensive but does not harm himself as a trader. Under these circumstances the researcher wants to examine using a qualitative method with a phenomenological approach that is contained in the instincts of each individual as a decision-making and how accurate the instincts are in predicting the accuracy of stock prices for selling and buying decisions.

3. Results and Discussion

Stock transactions in trading are carried out in lot sizes, where 1 lot = 500 shares. Each price change must follow the size of the price fraction (tick size) that has been determined to reduce the level of excessive stock price fluctuations. Price requests that exceed the maximum limit will automatically be rejected to avoid price manipulation by over-moving the stock price. In trading, a stock price is formed from an order in which there are elements of Price Priority and Time Priority, but not all orders, both selling and buying will cause price formation due to different Price Priority between investors who want to buy and investors who want to sell. In the principle of Price Priority sale, the selling price of a cheaper stock is prioritized or prioritized over the selling price of more expensive shares. And vice versa, the more expensive purchase price will take precedence over the cheaper purchase price. If in the process of trading there is a similarity in price, that is, best bid = best offense, when there is price formation (matching), this is where the points on stock trading are. In this case a trader is unable to determine the sale or purchase of his securities as desired because the selling price and the purchase price are determined by a very restricted market and fluctuations in stock prices are influenced by the prospects for the performance of the company concerned with these shares. While the company's performance is strongly influenced by internal aspects such as managerial, financial and other aspects and external aspects such as politics, government policies, natural factors and so forth. The question is, "how can a trader determine the right price for a buy or sell decision?".

Table 1: Size of Change (fraction) of Share Prices

Price	*Fraction*	*Maximum 1 time price change*
< IDR 500	IDR 1 mm	IDR 20
IDR 500 ≤ Price < IDR 5.000	IDR 5	IDR 100
≥ IDR 5.000	IDR 25	IDR 500

Source: Indonesia Stock Exchange, Level 1 Capital Market School

Table 1, it can be seen that shares worth less than IDR 500 have a fraction of shares, with a maximum change of IDR 20. Meanwhile, shares with a price range of IDR 500 to less than IDR 5,000 have a share fraction of IDR 5, with a maximum change of IDR 100, and shares worth IDR 5,000 and above have a stock fraction of IDR 25, with a maximum change of IDR 500. The share price fraction is the limit of the range of changes in stock prices at one time. As an illustration, shares that have an opening price of IDR 175 or have a price fraction of IDR 1. This means that the share price will only change IDR 1 per offer and the maximum change is IDR 20, or the maximum closing price for related shares is IDR 195 at the trading session on that day. The purpose of determining the price fraction is to reduce volatility in changes in stock prices in the capital market and increase public participation as retail investors because investment costs become more affordable, or increase liquidity and stock trading activities.

How Stock Prices Are Formed from the trading process with Price Priority and Time Priority:

Table 2: Order and Formation of Stock Prices

Tabel Order			
No	*Lot*	*Price*	*Bid/Offer*
1	20	5000	B
2	10	5200	O

Price Formation Table			
Bid Lot	*Bid Price*	*Offer Price*	*Offer Lot*
20	*5000*	*5200*	*10*

Source: Indonesia Stock Exchange, Level 1 Capital Market School

Investor 1 wants to buy shares at a price of IDR 5,000 as many as 20 Lots and investor 2 wants to sell at a price of

IDR 5,200 for 10 Lots. In this case the price has not been formed because the prices of each investor do not have a match.

Table 3: Order and Formation of Stock Prices

Tabel Order			
No	*Lot*	*Price*	*Bid/Offer*
1	20	5000	B
2	10	5200	O
3	**50**	**5100**	**O**

Price Formation Table			
Bid Lot	*Bid Price*	*Offer Price*	*Offer Lot*
20	5000	**5100**	**50**
		5200	10

Source: Indonesia Stock Exchange, Level 1 Capital Market School

Investor 3 wants to sell at a price of IDR 5,100 for as many as 50 lots. The lower selling price will prioritize the Price Priority so that the price of IDR 5,100 becomes the best selling price or best offer.

Table 4: Order and Formation of Stock Prices

Tabel Order			
No	*Lot*	*Price*	*Bid/Offer*
1	20	5000	B
2	10	5200	O
3	50	5100	O
4	**40**	**4900**	**B**

Price Formation Table			
Bid Lot	*Bid Price*	*Offer Price*	*Offer Lot*
20	5000	5100	50
40	**4900**	5200	10

Source: Indonesia Stock Exchange, Level 1 Capital Market School

Investor 4 wants to buy shares at a price of IDR 4,900 for 40 lots. The more expensive purchase price will take precedence over the cheaper purchase price. So the purchase price of IDR 5,000 is still the best purchase price or best bid.

Table 5: Order and Formation of Stock Prices

Tabel Order			
No	*Lot*	*Price*	*Bid/Offer*
1	20	5000	B
2	10	5200	O
3	50	5100	O
4	40	4900	B
5	**15**	**5100**	**O**

Price Formation Table			
Bid Lot	*Bid Price*	*Offer Price*	*Offer Lot*
20	5000	**5100**	**65**
40	4900	5200	10

Source: Indonesia Stock Exchange, Level 1 Capital Market School

Investor 5 wants to sell at the price of IDR 5,100 for 15 lots. The lower selling price will prioritize the Price Priority so that the price of IDR 5,100 is still the best selling price or best offer. Because the price is the same volume, the order amount is immediately added up. In this case, the selling order volume at the price of IDR 5,100 increases 15 lots, from 50 lots to 65 lots.

Table 6: Order and Formation of Stock Prices

Tabel Order			
No	*Lot*	*Price*	*Bid/Offer*
1	20	5000	B
2	10	5200	O
3	50	5100	O
4	40	4900	B
5	15	5100	O
6	**70**	**5050**	**B**

Price Formation Table			
Bid Lot	*Bid Price*	*Offer Price*	*Offer Lot*
70	**5050**	5100	65
20	5000	5200	10
40	4900		

Source: Indonesia Stock Exchange, Level 1 Capital Market School

Investor 6 stated that they wanted to buy shares at a price of IDR 5,050 as many as 70 lots. Based on the principle of Priority the highest purchase price will be prioritized so at this time the best bid is the price of IDR 5,050 shifting the initial price of IDR 5,000.

Table 7: Order and Formation of Stock Prices

Tabel Order			
No	*Lot*	*Price*	*Bid/Offer*
1	20	5000	B
2	10	5200	O
3	50	5100	O
4	40	4900	B
5	15	5100	O
6	70	5050	B
7	**30**	**5100**	**B**

Tabel Pembentukan Harga			
Bid Lot	*Bid Price*	*Offer Price*	*Offer Lot*
30	**5100**	5100	65
70	5050	5200	10
20	5000		
40	4900		

Source: Indonesia Stock Exchange, Level 1 Capital Market School

Investor 7 wants to buy at the price of IDR 5,100 for 30 lots. Based on the principle of Price Priority, the highest purchase price will be prioritized, so at this time the best bid is the price of IDR 5,100 shifting the initial price of IDR 5,050. From the price formation table, it appears that the best bid = best offer is the price of IDR 5,100. At this time there has been a price formation (Matching) at a price of IDR 5,100, - as many as 30 lots so that the price formation table becomes:

Table 8: Matching Price

Tabel Matching		
Lot	*Price*	*Value*
30	5100	76.500.000

Table 8, transactions have been seen at the price of Rp. 5,100, - as many as 30 lots or as much as Rp. 76,500,000, - due to the similarity between the selling price and the purchase price of shares. Here is the point on stock trading which is a situation where a price agreement occurs. In this position a trader is required to wait for the times when there is a price equation between the sale and purchase of shares. But this situation is very difficult to obtain because given the number of traders who trade and the mindset of a trader who is equally rational.

From the study of the example above, to achieve the state of Matching Price requires the same two components, namely the similarity of the selling price and the purchase price for the formation of new stock prices as a result of the trading process. Here a trader is required to determine the desired price so that it is responded quickly by the market but does not harm himself as a trader by not getting out of the existing provisions while the market knows the real price situation.

4. Conclusion

Determination of the selling price and the purchase price of a stock that is used for trading is dependent on the ability to determine the price in accordance with the wishes of the market by not ignoring the existing provisions so that the determination of the share price can be accepted by the market and not out of the existing conditions. Matching Priced requires the similarity between Bid Price and Offer Price which here is a reflection of the price of new shares formed from the price determination set by traders who sell and who buy.

Price Priority and Time Priority are the main elements in forming new stock prices. But not all orders, both selling and buying will cause the formation of prices because Price Priority is different between investors who want to buy and investors who want to sell. There is no precise theory to determine the right circumstances for determining prices according to market desires unless relying on natural instincts and in a position to determine the selling price and purchase price should not exceed the limits set by the Exchange that have been set at the size of the change (fraction) of prices.

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