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THE USE OF FUNDAMENTAL AND TECHNICAL ANALYSIS IN MAKING STOCK INVESTMENT DECISIONS IN THE INDONESIAN CAPITAL MARKET

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ABSTRACT

The capital market is a vibrant and complex universal system of buying and selling shares of the world's companies. In this case, it is very important that the investors adopt an appropriate strategy when it comes to the selection of stocks. The fundamental and technical analysis are the two most prevalent methodologies in this procedure. Therefore, it is important to understand the relation between the capital market and stocks and particularly the importance of conducting fundamental and technical analysis in relation to decision making in the capital market. With the help of such analysis, investors can analyze whether the current market price of a stock is justified or what to expect from the stock in the future. The second type of analysis focuses on the trends and patterns of stock prices generated over a period of time. Taking this into consideration, this paper examines the importance of using the fundamental and technical analysis when looking for stock opportunities in the capital market. In any case, this study provides a lot of useful information for investors who wish to discover better ways of investing such that they improve their stock trading overall returns.

Introduction.

Meythi et al. (2023) asserts that one of the financial markets is capital market. Several organizations choose to use the capital market in order to increase their financial capabilities. Development of the economy and information technology offers plenty of advantages in the business field. This can be seen by the number of companies developing their strategies. One form of corporate strategy in supporting the company's performance is to join the capital market. Investment decisions need to be made by investors in order to carry out these investment activities (Meythi et al., 2023).

Techniques in conducting investment analysis that are widely used are technical and fundamental analysis. Fundamental analysis is an analysis of stock price predictions based on the performance of the company's financial statements (Banjarnahor et al., 2024; Cristy et al., 2024). Technical analysis is a stock

analysis that predicts future stock movements based on past stock prices. Technical analysis is generally used for short-term investors, utilizing buy and sell signals in technical indicators. Therefore, investors need to know the performance of each type of technical analysis in order to obtain appropriate prediction results (Fauzan et al., 2024; Liugita et al., 2024).

This study connects two analysis variables, namely fundamental and technical analysis, which are widely practiced in examining stock prices in the manufacturing industry (Fauzan et al., 2024), in the Islamic capital market (Akram et al., 2024; Utami & Darmawan, 2019), and in banking companies listed on the IDX (Ardana et al., 2024). In this study, the researcher will discuss how fundamental and technical analysis in analyzing common stocks to make decisions in buying common stocks. In addition, we will also consider the use of the most common technical and fundamental tools in stock analysis, such as financial ratios, chart analysis, technical indicators, and so on. The researcher will provide real-life case examples and research studies that support the use of these two approaches.

By combining fundamental and technical analysis, it is hoped that investors can have a more comprehensive understanding of the stocks they are considering investing in. Researchers expect that this research will give investors with insights and knowledge to help them optimize their stock investment decision-making process.

Literature Review.

Capital Market

The capital market is an essential economic mechanism that facilitates the flow of cash from the public to the productive sector. Capital markets enable corporations to raise long-term capital by issuing and selling shares or bonds to investors. Investors, on the other hand, can buy such financial products and potentially profit from their value appreciation or income generation. Financial markets are vital to the economy because they enable long-term financial flows that support company growth, infrastructure development, and other economic activity. Additionally, capital markets provide liquidity and transparency, as well as a system for determining fair pricing based on supply and demand (Meythi et al., 2023).

Shares

Meythi et al. (2023) define a share as a financial instrument that indicates an ownership claim to a company's assets and earnings. Shareholders can benefit from dividends and share price increase. A share is a financial instrument that denotes a portion of ownership in a corporation or business organization. Capital markets provide their participants with instruments to trade stocks, which is one of the most attractive investments one can make. To achieve that, they often analyze various factors and developments related to a specific company, its operations and potential as well as further related aspects such as economy or industry. Companies' basic values and trends to invest money with certain purposes are analyzed by a combination of fundamental and technical measures. The general principle of trading shares is that one runs risks. Share prices are volatile and risk is associated with price fluctuation over the short term. Standing to stocks is the fastest approach to conduct business but one thing is clear, it has its own inherent should-be precautions. Proper research must be done, your risk affinity established, and most importantly, obtaining professional advice should be prioritized when dealing with stock investments.

Share Analysis

Stock analysis can be simply defined as the art of evaluating and predicting a stock's or the company's future performance using different analysis methods. Therefore, stock analysis is used in order to enhance one's knowledge of underlying value of a stock or take more informed investment. There are two primary techniques to stock analysis.

1. Fundamental Analysis

Fundamental research is an attempt to study many factors associated with selected segments through business analysis, industry analysis, macroeconomic analysis, and other research methods in support of stock analysis (Meythi et al., 2023). Fundamental analysis is the analysis of factors that affect the health and performance of a company. Financial reporting, business performance, business prospects, corporate governance, and industry conditions are all important considerations. Fundamental analysis attempts to analyze the fundamentals of the company and determine the true value of the stock. Key analytical methods include

financial ratio analysis, investment analysis, SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats), and growth rate analysis.

2. Technical Analysis

Meythi et al. (2023) define technical analysis as the study of how a graph or chart moves automatically. Technical analysis is the analysis of past data on stock prices and trading volumes to find patterns and trends that can be used to predict future price movements. Technical analysis uses charts and indicators to predict buying and selling signs of the cross. Technical analysis techniques include moving averages, chart patterns, momentum indicators, and volume analysis. Technological charts typically consist of many candles covering years, months, days, hours, and minutes.

Hypothesis Development

The utility of fundamental and technical research in making capital marketplace funding selections on organization stocks improves investors' overall performance in meeting long-time period funding objectives. The speculation shows that using fundamental analysis, which entails figuring out the intrinsic value of a firm based on primary variables including economic performance, development prospects, and industry, can help investors pick out groups with lengthy-term growth potential.

Investors can make better educated investment selections based on a radical evaluate of the agency's basics. Fundamental research enables buyers to identify the risks connected with making an investment. Investors can locate possible risks and control them by analyzing the organisation's monetary situation, structure, and business surroundings. Fundamental evaluation permits investors to make more knowledgeable investment decisions based on whole risk exams. The research subject matter is whether the usage of fundamental analysis is vital in making business inventory choices inside the Indonesian capital market.

The software of technical evaluation, which incorporates the exam of beyond fee styles and developments, as well as technical indicators, can help traders in determining the top-quality buying and selling instances. Technical analysis lets in traders to gain insights into inventory price behavior and locate profit possibilities primarily based on brief-time period rate modifications. This can assist traders optimize the timing of purchasing and promoting stocks. Technical analysis enables buyers manipulate investment threat. By the usage of technical analysis tools, which include forestall loss orders or trailing stops, traders can set appropriate loss stages and decrease the threat of larger losses.Technical analysis also helps investors recognize support and resistance levels that can be used as reference points to set optimal entry and exit levels. This research question is whether the use of technical analysis is very important in making company stock decisions in the Indonesian capital market?

Materials and Methods.

Population and Sample

In this study, researchers used quantitative methods by taking a sample of the population of companies listed on the IDX. Samples taken for this study using purposive sampling technique by selecting company shares based on shares purchased by researchers in the SimInvest application. For the sample used as follows:

1. BUMI
2. DWGL
3. KJEN
4. OKAS
5. SAGE

Data Types and Sources

The type of data used in this study is secondary data available on the IDX. The financial statement data was obtained through the RTI Business application, while the price data obtained, and technical analysis were taken from the SimInveist application.

Financial ratios are a technique used in fundamental evaluation to take a look at a company's monetary performance and investigate the well worth of feasible investments. Financial ratios evaluate pertinent financial statistics or gadgets from an organization's monetary debts (Alexander et al., 2023). These records supply a photograph of a agency's monetary health, profitability, operational performance, liquidity, and monetary balance. Here are a few famous financial ratios which can be often utilized in essential evaluation:

1. Return on Assets (ROA)

One of the profitability ratios used in essential evaluation is Return on Assets (ROA), which measures how nicely an organization makes use of its assets to produce income. This ratio summarizes the charge of return obtained by way of the corporation thru using its assets (Candra et al., 2024; Erwan et al., 2023; Novia & Meythi, 2022). The ROA can be computed the usage of the subsequent method:

$$\text{Return on Asset} = \frac{\text{Net Profit}}{\text{Total Asset}}$$

2. Return on Equity (ROE)

Return on Equity (ROE) is a profitability statistic utilized in essential analysis to calculate the price of go back shareholders receive on their stock in the company. ROE gives an assessment of the agency's potential to generate internet income from capital invested through shareholders (Candra et al., 2024; Erwan et al., 2023; Novia & Meythi, 2022). ROE may be calculated using the following formula:

$$\text{Return on Equity} = \frac{\text{Net Profit}}{\text{Total Equity}}$$

3. Debt-to-Equity Ratio (DER)

Debt-to-Equity Ratio (DER) is a economic ratio used in essential evaluation to determine how a whole lot debt a corporation makes use of to aid its operations. This ratio compares the organization's dependency on borrowed or debt coins to fund its operational sports to the capital invested via shareholders (Utami & Darmawan, 2019). The debt to fairness ratio may be computed the use of the subsequent system:

$$\text{DER} = \frac{\text{Total Debt}}{\text{Equity}}$$

4. Price to Earnings Ratio (PER)

The Price to Earnings Ratio (PER) is one in every of several monetary measures used to assess a company's profitability. EPS is a key measure for measuring a organization's economic performance. The better the EPS, the larger the percentage of earnings on hand to each shareholder. EPS is likewise used to calculate the rate/income ratio (P/E ratio), which helps traders determine an affordable share charge (Martusa et al., 2022). EPS can be computed the use of the subsequent system:

$$\text{Price to Earnings} = \frac{\text{Share Price}}{\text{Earnings Per Share}}$$

5. Earnings Per Share ratio (EPS)

Earnings Per Share (EPS) is a financial statistic used to decide the price or relative worth of a stock or firm (Martusa et al., 2022). The P/E ratio is the ratio among a organization's inventory fee and its profits in step with percentage (EPS). EPS may be computed the use of the following formulation:

$$\text{Earnings Per Share} = \frac{\text{Net Profit}}{\text{Shares Outstanding}}$$

Results and Discussion.

The following are the economic ratios of each stock that researchers bought within the SimInveist application:

Table 1. Stock Realization Return

Stock	Purchase Price Per Share	Selling Price Per Share	Profit/Loss Realization	% Profit/Loss Realization
BUMI	125	129	4	3.20%
DWGL	133	130	-3	-2.26%
KJEN	170	175	5	2.94%
OKAS	106	130	24	22.64%
SAGE	308	330	22	7.14%

Table 2. Financial Ratios

	ROE	ROA	PER	EPS	DER
BUMI	15.12%	5.60%	10.88	9.74	92.95%
DWGL	76.92%	9.12%	8.92	14.58	741.83
KJEN	0.56%	0.52%	241.06	0.71	9.38%
OKAS	-45.88%	1.84%	5.79	26.96	-2313.70%
SAGE	3.60%	3.28%	116.25	1.28	10.02%

Bumi Resources (BUMI)

Bumi Resources is one in every of the biggest mining companies in Indonesia. Bumi Resources has a main line of business which is a mining holding company with the energy sector and oil, gas & coal sub-sectors. The stock has a ROE of 15.12%, ROA of 5.60%, PER of 10.88x, EPS of 9.74x, and DER of 92.95%. When buying the stock, the share price is at IDR125/lot and when selling it is at IDR129/lot. This shows that the stock is profitable by 3.20%.

Technical Analysis

Dwi Guna Laksana (DWGL)

Dwi Guna Laksana is a company engaged in coal trading and port services. Dwi Guna Laksana has a main business field of coal trading and port services with the energy sector and the oil, gas and coal sub-sector. This stock has an ROE of 76.92%, ROA of 9.12%, PER of 8.92x, EPS of 14.58x, and DER of 741.83%. When buying the stock, it is at a price of IDR133/lot and when selling it is at a price of IDR130/lot. This shows that the stock lost -2.26%.

Technical Analysis

Krida Jaringan Nusantara (KJEN)

Krida Jaringan Nusantara is a company engaged in courier services. Krida Jaringan Nusantara has a main line of business which is courier or goods delivery services with the transportation & logistics sector and logistics & delivery sub-sector. This stock has ROE of 0.56%, ROA of 0.52%, PER of 241.06x, EPS of 0.71x, and DER of 9.38%. When buying the stock, it is at a price of IDR170/lot and when selling it is at a price of IDR174/lot. This shows that the stock is profitable by 2.94%.

Technical Analysis

Ancora Indonesia Resources (OKAS)

Ancora Indonesia Resources is a company engaged in mining, trading, transportation, agriculture, industry, construction and service activities. Ancora Indonesia Resources has a main line of business which is trading with sectors and subsectors namely raw materials. This stock has ROE of -45.88%, ROA of 1.84%, PER of 5.79x, EPS of 26.96x, and DER of -2313.70%. When buying the stock, it was at a price of IDR106/lot and when selling it was at a price of IDR130/lot. This shows that the stock is profitable by 22.64%.

Technical Analysis

Saptausaha Gemilangindah (SAGE)

Saptausaha Geimilangindah is a company engaged in the property sector in the residential and commercial sectors. Saptausaha Gemilangindah has a main line of business which is real estate with sectors and subsectors namely property & real estate. This company has a ROE of 3.60%, ROA of 3.28%, PER of 116.25x, EPS of 1.28x, and DER of 10.02%. When purchasing the stock, the price is IDR308/lot, and when selling, the price is IDR330/lot. This indicates that the stock is profitable by 7.14%.

Technical Analysis

Conclusions and Advice.

Conclusions.

Following study with a selected sample of firms, the assessment results give insight into the usage of ROE, ROA, PER, EPS, and DER in fundamental analysis, as well as charts in technical analysis. It can be stated that fundamental and technical analysis are important in making company inventory alternatives at the Indonesian capital marketplace. Fundamental and technical evaluation are famous methodologies for making inventory making an investment selections. Both make a contribution extensively to traders' knowledge and assessment of a business enterprise's overall performance and share price modifications. Fundamental analysis allows buyers perceive a inventory's actual worth. By inspecting a enterprise's fundamentals, traders may also examine if its stock is as it should be priced, undervalued, or overvalued. Technical analysis assists buyers in determining cutting-edge stock fee patterns, which includes uptrends, downtrends, or consolidation. Furthermore, buyers can use chart patterns together with double tops, head and shoulders, or assist and resistance to predict future fee actions.

Advice.

Future examine may encompass other firms to find potential stocks the use of fundamental and technical analysis. Furthermore, destiny look at can find more sophisticated traits or charts in identifying stock fee fluctuations, bearing in mind extra particular predictions and concerning buyers in inventory investing.

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