ABSTRACT

This research aims to examine investor's behaviour of representative bias in bullish and or bearish in Indonesian stock market. Representative bias is indicated by three variables: gambler's fallacy, halo effect, and familiarity effect. This research will prove that during the trading in stock market, investors act irrationally and cause representative bias. It will result negative impact on investor's portfolio.

This research uses a quantitative approach to T-Test model. Data were collected with questionnaire dan distributed to investors directly (personally) and indirectly (google form). The sample used in this research were 378 respondents. First, questionnaire was analyzed using frequency distribution. Second, questionnaire was assessed using Likert Scale and analyzed using one sample t-test dan paired t-test to answer the hypothesis and research questions.

The result is gambler's fallacy exists in investors when they trading in bullish stock market, but it does not exists in bearish stock market. Halo effect does not exists in investors when they trading in bullish and bearish stock market. While, familiarity effect exists in investors when trading in bullish and bearish stock market. In bullish stock market, familiarity effect was greater than bearish stock market.

Based on the result of this research can be seen that, in general, investors in Indonesian stock market are irrational in the process of decision making. In the bullish market, representative bias potentially greater than in the bearish market as indicated by the occurrence of gambler's fallacy and familiarity effect. While in the bearish market, representative bias occurs as indicated in familiarity effect.

Keywords: representative bias, gambler's fallacy, halo effect, familiarity effect