# How to Get Daily Capital Gain in Covid-19 Pandemic Period? (Case study: Indonesia Stock Exchange)

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**ABSTRACT**

**ARTICLE INFO**

The purpose of this research is to find out how to obtain daily capital gains in the midst of the Covid-19 pandemic using the day trade strategy and the Stochastic Oscillator as a technical indicator case study of stocks in the telecommunications industry sector. This research is descriptive in nature and uses secondary data, namely: data on daily stock prices and hourly charts, per 10 minutes on the stock price movements of PT Telekomunikasi Indonesia Tbk (TLKM) and PT Smartfren Telecom Tbk (FREN). The result of this study are finding TLKM and FREN stocks as the right stocks for day trade, day trading from the market opening or in the morning and completing transactions during the day because the volume of shares decreases reflected in the volume of TLKM shares, but not on FREN shares. Stochastic Oscillator indicator can be used to obtain daily capital gains at TLKM and FREN stocks; (a) the red box area is the best momentum for "sell" positions, the green box area is the best momentum for "buy" positions. (b) the arrow in the red box there is a% K line that crosses% D upwards/ downwards, indicating a sell/buy signal at TLKM and during this period the FREN shares did not have the momentum to sell. The results of this study are expected to give consideration to investors not to panic selling and provide knowledge about how to earn daily profits on the stock market during the Covid-19 Pandemic with a simple method so that the Indonesian capital market remains excited amid the Covid-19 Pandemic.y

## INTRODUCTION

Investors' concerns over the impact of the Covid-19 pandemic's fundamental news on the performance of the industrial sector listed on The Indonesia Stock Exchange (IDX) led to high investor selling (Kartikaningsih. D & Nugraha, 2020). This is reflected in the drastic drop in the The IDX Composite starting when WHO (World Health Organization) officially announced a global health emergency due to the Covid-19 Pandemic on January 31st, 2020, and the The IDX Composite continued to decline when in March 2020 the Indonesian Government announced the first case of Covid-19 in Indonesia (Shiyammurti, N., & Saputri, D., & Syafira, 2020).



**Figure 1.** IDX Composite 2020

Source: Neo HOTS Mobile trading System versi 5.1.6; 2016

Fig. 1 shows that The IDX Composite decreased significantly from January to March 2020 due to the high selling action of investors on the capital market and the occurrence of outflows from Indonesia. The Governor of Bank Indonesia, Perry Warjiyo said, there was an outflow of up to Rp 145.1 trillion; Rp. 131.1 trillion on the savings bond ritel market and Rp. 9.9 trillion on the stock market. Various industrial sectors in Indonesia were affected by the Covid-19 pandemic, such as the financial sector, tourism sector, manufacturing sector, food and beverage sector, while the financial sector was affected long before Covid-19 hit Indonesia (Kontan co.id, 2020).

Collins (2020) states that investors must be careful about investing in a holistic and diverse portfolio because stock exchanges around the world are experiencing an average decline in the financial environment amid the Covid-19 pandemic (Tambunan. D, 2020). Fundamentally, the Covid-19 pandemic has raised concerns for investors to invest in stock exchange and this has further exacerbated conditions for Indonesia's economic growth (Muamar. Y, 2020). The day trade strategy is one of the strategies that can be used to deal with uncertain fundamental conditions such as what happened during the Covid-19 Pandemic because this strategy ignores fundamental news including financial statements, products, company earnings, etc (Aziz. A, 2016). Day trade focuses on price action and technical indicators and chart patterns to obtain daily capital gains and complete transactions without overnight.

This study aims to examine how to obtain daily capital gains in the midst of the Covid-19 pandemic using the day trade strategy and the Stochastic Oscillator as a technical indicator. The day trade strategy is adjusted to the rules put forward by Aziz (2016), however, the difference in this study is choosing Stochastic (George lane; 1950) as a technical indicator. Aziz (2016) uses a VWAP strategy, moving avarage, bull flag momentum. Support & Resistance is a technical indicator to predict stock price movements in obtaining daily capital gains (Aziz. A, 2016). Stochastic is a technical indicator that has high sensitivity to changes in basic prices and the main objective of stochastic is to find a situation when to exit the market (sell) and when it is necessary to enter the market (buy) when a new trend emerges in obtaining return (Gaskarova. E. A, 2018). Research on the stochastic predictability test of stock price movements has

been carried out by Yensen Ni, et. Al (2015), (Vaidya (2018), Naved and Srivastava (2015), (Brugos, et.al (2013), Coe and Laosethakul (2010) and Lin et al (2011) in Orn. A. N (2019)), Mutmainah and Sulasmiyati (2017), Muis (2020), Nugraha. A (2018) but research that applies technical stochastic in day trade nothing has been done.

This study uses a case study on shares of the telecommunications industry subsector which are listed on infrastructure sector. One of the factors for the success of day trading is to start day trading by finding stocks that have volume above their usual volume, because if the high volume of the stock is the same as its usual high it means the stock is being traded by an institution and this should be avoided for (Aziz. A, 2016; part.4). Day trades need speed and the right time to get in and out of the market more easily (Aziz. A, 2016; part.3). Day trading does not work on all stock. It's only works on the stocks that have high relative volume (Aziz. A, 2016; 28) or a high level of liquidity and volatility. Shares in the telecommunications industry during the Covid-19 Pandemic tended to have volume above the usual volume. This indicates that stocks in the telecommunications industry sector have high volatility and are not driven by institutions. Fundamentally, the telecommunications industry sector is an industry that is benefiting during the Covid-19 Pandemic, because Indonesia implements Work from Home (WFH) and School from Home (SFH) as well as the transition of all community activities to digital or lifestyle changes so that the need for mobile data is getting higher as seen from the payload of operator data, it has a positive growth, even projected in the long term (Kontan co.id, 2020). The purpose of this research is to find out how to obtain daily capital gains in the midst of the Covid-19 pandemic using the day trade strategy and the Stochastic Oscillator as a technical indicator case study of stocks in the telecommunications industry sector. The results of this study are expected to give consideration to investors not to panic selling and provide knowledge about how to

earn daily profits on the stock market during the Covid-19 Pandemic with a simple method so that the Indonesian capital market remains excited amid the Covid-19 Pandemic.

**LITERATURE REVIEW**

Aziz. A (2016) in his book How To Day Trade For A Living, A Beginner's Guide to Trading Tools and Tactics, Money Management, Discipline and Trading Psychology explains the basic principles that must be met in day trade, namely: choosing stocks that move based on their volume, trading in one day, do not participate in overnight trading, if necessary you have to sell in a loss position, ignore fundamental news, start in the morning by choosing stocks with high volatility because these stocks provide high liquidity, which shows the number of sellers and buyers so it is easy to enter and exit the market, sell stocks at midday as volume has started to fall, do not trade again in the afternoon or evening and do not trade on pre-markets.

The keys to success in day trading are: a logical strategy, avoid stocks that are highly institutionalized, small volume, penny stocks, stocks that are not moving. Technical strategies in day trading that can be used are: momentum reversal, VWAP strategy and moving avarage. To determine which strategy is suitable to be implemented, this requires an understanding of 3 stock categorizations, namely: (1) Low float stocks, namely stocks whose prices are less than $ 10 and are usually traded by advanced or non-beginner traders. The strategy that fits in this stock category is bull flag momentum, (2) medium float stocks, namely floating stocks of 5 million - 500 million shares and a suitable strategy is the VWAP strategy and the Support & Resistance strategy, (3) Mega cap stocks, namely stocks floating over 500 million shares, is usually driven by institutional rather than day trading options. Strategies that are suitable for this stock category are momentum reversals and moving averages (Aziz. A, 2016).

The focus of day trading is technical analysis or price action, and only looks at fundamental news

to find reasons why the stock is rising. Technical analysis is the study of stock price movements Rustam. Z, et al, 2019). Day trade uses daily, hourly, 10 minute, 5 minute and 1 minute charts. Risk management with an excellent trading system of buying 800 lots; 400 lots sell on the first limit, 200 lots on the second limit and 200 lots are held to the maximum with due regard to the discipline of stop losses, however this is not for novice investors. For beginners you can use the ABCD pattern system. Bollinger Bands Strategy, RSI, Bottom Reversal Strategy, Emergent Biosolutions Inc (Aziz. A, 2016).

The Stochastic Oscillator was developed by George Lane (1950's). The Stochastic Oscillator is an indicator of price speed or price momentum that changes before price. This indicator can be used to identify bullish and bearish on a price reversal and has support and resistance levels to identify oversold and overbought signal levels (Wikipedia.com, 2020). The Stochastic Oscillator setting is 14 periods; day, week, month or intraday timeframe, i.e. %K 14 periods is the use of the closing prices, lowest, highest for the last 14 periods (Thomsett. M. C, 2015; 306). %D is the simple 3-day moving average of%K. This line is plotted next to% K to act as a signal or trigger line. The Oscillator formula for a 5 day period is:

$$\%K = 100 * (Price - L5)/ (H5 - L5)$$
$$\%DN = ((K1 + K2 + K3)/ N)$$

It is known that H5 & L5 are the highest and lowest prices in a 5 day period (Wikipedia.com, 2020). The price of a security is expressed as a percentage, in the range of levels between 0–100 (Banga. J & Brorsen. B, 2019). The interpretation of stochastic is:

1. The stochastic value is above 80, it is said that the price is moving at the highest price range (overbought) and it is believed that the price will experience an inverse change, which is bearish. On the other hand, the stochastic value is below 20, it is said that the price is moving in the lowest price

range (oversold) and it is believed that the price will experience an inverse change, namely bullish (Banga. J & Brorsen. B, 2019).

2. Buy signals and sell signals can also be identified through the intersection of the% K (red line) and% D (green line) lines. If the% K line crosses% D above, this is a buy signal. If the% K line crosses% D downwards it means a sell signal.

Stochastics can predict price turning points (overbought/ oversold) through line crosses (Wikipedia.com, 2020), but there is a condition that the Stochastic Oscillator indicator moves in the opposite direction to the price. When the Stochastic Oscillator is at Higher Low (HL) but the Lower Low (LL) price is called or vice versa, the Lower Low (LL) Stochastic Oscillator (LL) but Higher Low (HL) prices, this is known as Bullish/Bearish Stochastic Oscillator Divergence (Amazon.com, 2020).

**RESEARCH METHOD**
This research is descriptive in nature and was conducted on the Indonesia Stock Exchange through the idx.co.id website and the 2016 HOTS application. This study uses secondary data, namely: data on daily stock prices and hourly charts, per 10 minutes on the stock price movements of PT Telekomunikasi Indonesia Tbk (TLKM) and PT Smartfren Telecom Tbk (FREN). Data analysis techniques: Volume trading level, Stochastic oscillator and Stochastic oscillator divergence.

**RESULT AND DISCUSSION**
The first step to day trading according to Aziz's (2016) rules is to find the right stocks, namely choosing stocks that have high volume above the usual average volume (Aziz. A, 2016; page 21) and avoid stocks traded by institutions. Telkomsel (TLKM), Indosat (ISAT), Excel (EXCL) and Smartfren (FREN) are shares of the telecommunications industry sector that are listed on the Indonesia Stock Exchange.

Fig. 2 shows that on a daily basis, TLKM and FREN stocks tend to have volume above the average

volume, while the volume of ISAT and EXCL stock tends to move around their average volume. This can be seen on the blue line which identifies the volume movement of the stock.

Fig. 3 shows that on a weekly basis TLKM and FREN stocks also tend to have volume above the average volume, while the volume of ISAT and EXCL shares tends to move around their average volume. Based on the two charts above, it can be seen that TLKM and FREN stocks are suitable stocks for day trading because these stocks tend to have high stock volume above the usual average volume. Aziz. A (2016) mentioned that daily trading starts in the morning and completes transactions during the day and does not trade in the afternoon and evening, because volume has started to fall (Aziz, 2016; page 21). Referring to this, we can
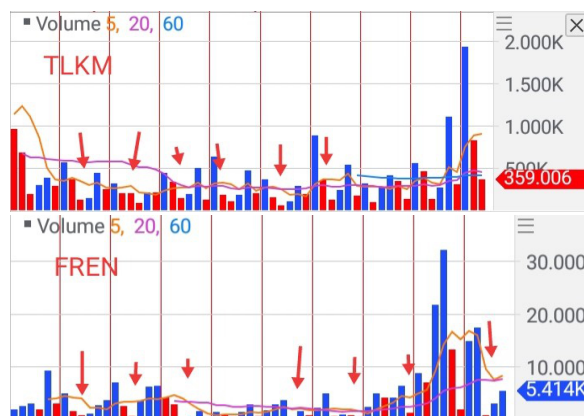
review the fig. 4 below.



**Figure 4.** Daily Volume of FREN & TLKM on the Indonesia Stock Exchange the period September - November 2020

Source: Neo HOTS Mobile trading System versi 5.1.6;2020

Fig. 4 shows that on the daily chart TLKM tends to have a decreasing volume after when



**Figure 2.** Volume Level of FREN, TLKM, EXCL, ISAT daily basis for the period September - November 2020

Source: Neo HOTS Mobile trading System versi 5.1.6; 2020



**Figure 3.** Volume Level of FREN, TLKM, EXCL, ISAT weekly basis for the period September - November 2020

Source: Neo HOTS Mobile trading System versi 5.1.6;2020

the market opens or the volume of shares in the morning tends to be higher than the next hour. In contrast to the daily chart FREN tends to have higher volume after the market opens or the morning stock volume tends to be lower than the next hour. This shows that Aziz (2016)'s opinion is reflected in the volume of TLKM shares, but not on FREN shares. Even so, Aziz's opinion (2016) can be one of the steps that deserves to be considered when going to day trade, namely trading from the market opening or in the morning and completing transactions during the day because the volume of shares decreases.

It is known that TLKM and FREN stocks are suitable stocks for day trading, then the Stochastic Oscillator indicator will be used to obtain daily capital gains. Capital gain is the profit obtained by investors from the difference between buying and selling shares. The success of obtaining capital gains is the accuracy of investors in determining when to buy and sell stocks (Amazon.com, 2020). Stochastic Oscillator is an indicator of price speed or price momentum that changes before the price, it can be used to identify bulls and bears which have support and resistance levels as identification to determine oversold and buy signals (overbought). A stochastic value above 80 indicates the price is moving in the highest price range (overbought) and it is believed that

the price will experience an inverse change, which is bearish or the right time to sell. The stochastic value is below 20, indicating the price is moving in the lowest (oversold) range and it is believed that the price will experience an inverse change, namely bullish or the right time to buy.

Fig. 5 above shows the daily stochastic TLKM and FREN; the green box area is the right momentum to "buy" because the price is moving in the lowest price range (oversold/below 20), which is believed that the price will change upside down (bullish). Stochastic TLKM and FREN (red box area) are the right momentum to "sell" because the price is moving at the highest price range (overbought / above 80) which is believed that the price will experience an inverse (bearish) change.

Determination of buy and sell signals using Stochastic can also be seen through the intersection of the% K (red line) and% D (blue line). If the% K line crosses% D upwards, this is a buy signal. If the% K line crosses% D downwards it means a sell signal. Fig. 6 on the arrow in the green box there is a% K line that crosses% D upwards, this indicates a buy signal on TLKM and FREN. The arrow in the red box area has the% K line which cuts% D down, indicating a sell signal at TLKM and during this period the FREN shares did not have the



**Figure 5.** Daily Stochastic TLKM and FREN on the Indonesia Stock Exchange the period September - November 2020

Source: Neo HOTS Mobile trading System versi 5.1.6;2020

momentum to sell. Aziz (2016) said that day trades try to complete transactions during the day because during the day the market volume tends to decrease, so hourly and per minute charts are needed to make decisions when to buy and sell in order to obtain daily capital gains. The figure 7 shows the hourly and per-minute buy and sell signals of FREN stock on the same day, which are as follows:

Figure 6 shows that the red box area (hourly Stochastic FREN, on the same day) reflects that the price is moving in the range of the highest price (overbought) and this is the best momentum for "sell" positions. In the red box area (Stochastic FREN per 10 minutes, at the same hour in the red box), FREN prices are

moving at the lowest price range (overbought). The green box area (hourly Stochastic FREN, on the same day) reflects the price is moving in the lowest price range (oversold), and the green box area (Stochastic FREN per 10 minutes, on the same hour in the red box) , showing that FREN price is moving in the lowest price range (oversold) is the best momentum for a "buy" position.

Figure 7 shows that the red box area (hourly Stochastic TLKM, on the same day) reflects that the price is moving in the range of the highest price (overbought) and this is the best momentum for "sell" positions. In the red box area (Stochastic TLKM per 10 minutes, at the same hour in the red box), TLKM price is moving



**Figure 6.** The hourly and per-minute buy and sell signals of FREN stock on the same day period September - November 2020
Source: Neo HOTS Mobile trading System versi 5.1.6;2020



**Figure 7.** The hourly and per-minute buy and sell signals of TLKM stock on the same day period September - November 2020
Source: Neo HOTS Mobile trading System versi 5.1.6;2020

in the lowest price range (overbought). The green box area (hourly Stochastic TLKM, on the same day) reflects the price is moving in the lowest price range (oversold), and the green box area (Stochastic TLKM per 10 minutes, on the same hour in the green box), indicating TLKM price is moving in the lowest price range (oversold). is the best momentum for "buy" positions.

The Stochastic Oscillator indicator shows price momentum that can be used to predict price direction, but there is a condition where Stochastic moves in the opposite direction to the price. When the Stochastic Oscillator is at Higher Low (HL), the price is at Lower Low (LL) or vice versa, the Stochastic Oscillator is Lower Low (LL) but the price is Higher Low (HL). This is known as a Bullish / Bearish Stochastic Oscillator Divergence, for example at figure 8 shows a Bullish Stochastic Oscillator Divergence on FREN stocks.
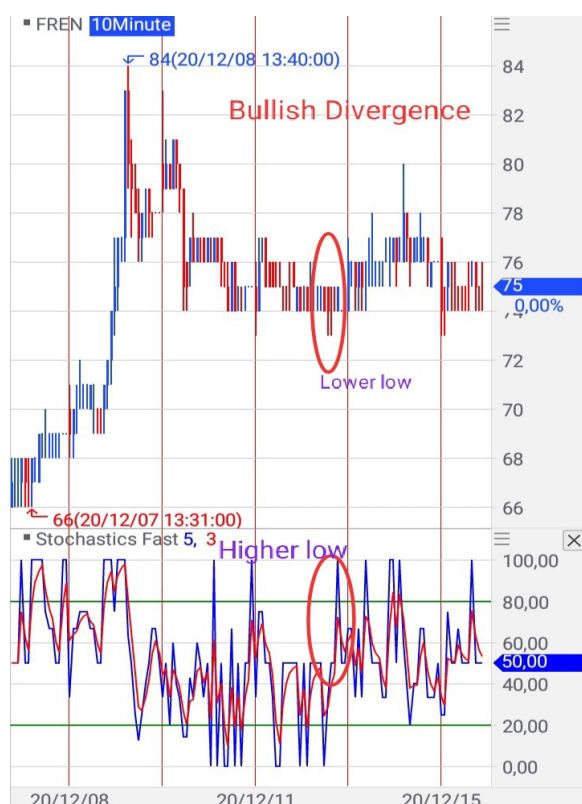


**Figure 8.** Bullish Stochastic Oscillator Divergence on FREN stocks period September - November 2020

Source: Neo HOTS Mobile trading System versi 5.1.6;2020

Figure 8 is a bullish divergence on FREN, where the Stochastic Oscillator is at Higher Low (HL) but the price is Lower Low (LL). Bullish divergence can also be confirmed by looking at the stochastic which has broken the support line below 50. Bearish divergence on this FREN stock provides a positive signal to sell. Figure 9 not show a Bullish Divergence on FREN stock, where the Stochastic Oscillator is at Lower Low (LL) but Higher Low (HL) prices. Bearish divergence can also be confirmed by looking at the stochastic that has broken the resistance line above 50. Bearish divergence on this FREN stock provides a positive signal to buy.

**CONCLUSION**

This research shows the first step to day trading is to find the right stocks; TLKM and FREN stocks tend to have volume above the average volume. Day trading from the market opening or in the morning and completing transactions during the day reflected in the volume of TLKM shares, but not on FREN shares. Stochastic Oscillator indicator can be used to obtain daily capital gains at TLKM and FREN stocks; (a) the red box area (hourly and per 10 minutes at Stochastic FREN and TLKM, on the same day) reflects that the price is moving in the range of the highest price (overbought) and this is the best momentum for "sell" positions, the green box area (hourly and per 10 minutes at Stochastic FREN and TLKM, on the same day) reflects that the price is moving in the range of the lowest price range (oversold) and this is the best momentum for "buy" positions. The results of this study are expected to give consideration to investors not to panic selling and provide knowledge about how to earn daily profits on the stock market during the Covid-19 Pandemic with a simple method so that the Indonesian capital market remains excited amid the Covid-19 Pandemic and for future researchers, humbly suggest extending to other technical indicator or combine stochastic oscillator with other technical indicator at other industry stock on day trading.

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