

“Exploring overnight momentum: Evidence from the Indonesian stock market”

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EXPLORING OVERNIGHT MOMENTUM: EVIDENCE FROM THE INDONESIAN STOCK MARKET

Abstract

This study examines the effectiveness and consistency of overnight momentum strategies in the Indonesian stock market using cross-sectional, time-series, and dual momentum approaches. The analysis employs intraday stock price data covering 112 firms and 546 trading days from July 2021 to September 2023. Abnormal returns are evaluated using the Fama-French five-factor model to assess whether strategy performance can be explained by systematic risk exposures. The empirical results show that during the close-open interval, all three overnight momentum strategies generate negative and statistically significant alphas, indicating short-term return reversal rather than momentum continuation. When the holding horizon is extended, the reversal pattern remains relatively persistent for the cross-sectional and time-series strategies, whereas the dual momentum strategy exhibits weaker statistical significance, suggesting reduced stability of the combined signal over longer holding periods. Additional robustness tests based on trading days confirm that the reversal pattern is observed throughout the trading week, with the strongest consistency identified in the time-series framework. These findings differ from evidence reported in several developed markets that document positive overnight momentum and instead suggest that overnight return dynamics in Indonesia may reflect temporary price adjustments occurring between market close and the subsequent market opening. From a theoretical perspective, the results provide additional evidence that short-horizon return behavior may not be fully captured by conventional risk factors and highlight the relevance of behavioral and market microstructure considerations in explaining overnight return patterns in emerging markets.

Keywords

overnight momentum, return reversal, time-series
momentum, cross-sectional momentum, dual
momentum

JEL Classification

G11, G12, G14

INTRODUCTION

The rapid development of trading technology, including electronic trading platforms, algorithmic execution, and faster information processing, has substantially transformed modern financial markets and altered the way asset prices adjust over increasingly shorter horizons (Boehmer et al., 2021). One implication of this transformation is the growing importance of return behavior during periods outside regular trading sessions. In particular, the overnight interval has received increasing attention because information relevant to asset valuation, including macroeconomic announcements, corporate disclosures, and global events, is frequently released during non-trading hours (Akbas et al., 2022). Unlike intraday returns that emerge through continuous trading interaction, overnight returns are incorporated into prices discretely at market opening and may therefore follow different adjustment mechanisms (Lou et al., 2019; Qiao & Dam, 2020).

Previous studies suggest that overnight returns constitute an important component of stock performance and may exhibit predictable patterns. Momentum theory generally proposes that asset prices tend

to continue their prior movement and therefore challenges the strict form of market efficiency (Fama, 1970). Empirical evidence has documented momentum persistence across various markets and investment horizons, particularly in developed financial systems characterized by relatively efficient price discovery (Hanauer & Windmueller, 2022; Dong et al., 2022; Azevedo, 2023). However, recent literature indicates that return behavior at ultra-short horizons may differ substantially from conventional momentum findings.

Evidence on overnight return predictability remains mixed across market settings. Several studies conducted in developed markets report positive overnight momentum, suggesting that price movements near market close continue into the next trading session (Hendershott et al., 2020; Lou et al., 2019; Bogousslavsky, 2021; Akbas et al., 2022). These findings are commonly interpreted as reflecting gradual information diffusion and delayed adjustment processes. In contrast, studies focusing on emerging markets provide less consistent evidence. Research in Asian and emerging market contexts indicates that overnight returns may exhibit reversal rather than continuation and that institutional structure, investor composition, and trading frictions may influence overnight return behavior (Qiao & Dam, 2020; Cheema et al., 2022; Lin et al., 2023; Ham et al., 2023).

The Indonesian stock market provides a relevant setting to revisit this issue because of several distinctive structural characteristics. Compared with developed markets, Indonesia is characterized by relatively high retail investor participation, heterogeneous information processing, and more limited arbitrage activity that may amplify short-horizon pricing deviations (Aslam et al., 2020; Kaourma et al., 2025). Such conditions may create temporary price pressure near market close and contribute to subsequent overnight adjustments (Zhang et al., 2022; Liu et al., 2023). These characteristics became particularly relevant during the post-pandemic adjustment period. Accordingly, the observation period from July 2021 to September 2023 was selected because it captures the transition from post-COVID market recovery toward gradual normalization in trading activity and investor behavior.

Although overnight return studies have expanded in recent years, two important limitations remain. First, existing studies frequently evaluate either cross-sectional momentum or time-series momentum independently and rarely provide a unified comparison that incorporates dual momentum within the same empirical setting (Jegadeesh & Titman, 1993; Moskowitz et al., 2012; Antonacci, 2017). Second, empirical evidence from emerging markets remains limited, restricting understanding of whether overnight return continuation or reversal dominates under different market environments. Since each momentum framework captures different dimensions of return predictability, evaluating these approaches jointly may provide a more comprehensive understanding of overnight price behavior.

This study contributes to the literature by providing an integrated evaluation of cross-sectional, time-series, and dual momentum strategies using overnight return formation in the Indonesian stock market. The analysis further evaluates whether the resulting performance persists after controlling for systematic risk exposures through the Fama–French five-factor framework (Fama & French, 2015). By focusing on an emerging market setting with distinctive trading characteristics, this study extends existing evidence on overnight return dynamics and contributes to broader discussions in asset pricing, behavioral finance, and market microstructure.

1. LITERATURE REVIEW

Overnight returns constitute a distinct component of stock return dynamics because they emerge during the interval between market closing and the subsequent market opening. Unlike

intraday returns that are formed through continuous trading interaction and immediate incorporation of information, overnight returns reflect the accumulation of information during non-trading hours and its discrete adjustment into prices at market opening (Heston et al., 2010; Gao et al.,

2018; Akbas et al., 2022). This distinction implies that overnight price formation may follow mechanisms that differ from those observed during regular trading sessions. Since trading activity is absent during non-market hours, temporary mispricing generated before market close may persist and subsequently be corrected when trading resumes (Gao et al., 2022).

Within the broader asset pricing literature, momentum remains one of the most extensively documented return anomalies. Traditional momentum theory suggests that asset prices tend to continue their previous movement, creating predictable return patterns that challenge the assumption of fully efficient markets (Fama, 1970). The cross-sectional momentum framework introduced by Jegadeesh and Titman (1993) explains return continuation through relative performance ranking across securities, where assets with superior historical performance are expected to continue outperforming in subsequent periods. In contrast, time-series momentum evaluates continuation within each asset's own historical return path rather than relative performance across assets (Moskowitz et al., 2012). This framework assumes that the direction of past returns contains predictive information regarding future returns.

Extending these approaches, dual momentum integrates cross-sectional and time-series information simultaneously to capture both relative and absolute dimensions of return predictability (Antonacci, 2017). Previous studies suggest that combining multiple momentum signals may improve portfolio allocation and enhance investment performance under particular market conditions (Singh et al., 2022). Nevertheless, the effectiveness of this integrated approach remains less understood when applied to extremely short investment horizons such as overnight periods.

Although momentum has been extensively documented across financial markets, recent evidence suggests that return dynamics at high frequencies may differ from traditional momentum patterns. Studies conducted in developed markets report that overnight returns often exhibit continuation, indicating that price movements near market close tend to persist into the next trading session (Hendershott et al., 2020; Lou et al., 2019;

Bogousslavsky, 2021; Akbas et al., 2022). These findings are generally interpreted as reflecting delayed information incorporation and gradual adjustment mechanisms.

However, empirical evidence from emerging markets presents a more complex pattern. Several studies report that overnight returns may exhibit reversal rather than continuation and that market structure plays an important role in shaping return behavior (Qiao & Dam, 2020; Cheema et al., 2022; Lin et al., 2023; Ham et al., 2023). Such findings indicate that overnight return predictability may depend not only on information arrival but also on trading frictions, investor heterogeneity, liquidity constraints, and institutional conditions.

Behavioral finance and market microstructure perspectives provide additional explanations for these differences. Markets characterized by relatively strong retail investor participation and limited arbitrage capacity may experience temporary price pressure, overreaction, and delayed adjustment processes that generate return reversals rather than momentum continuation (DeBondt & Thaler, 1985; Lou et al., 2019; Akbas et al., 2022). Under such conditions, abnormal return patterns should not automatically be interpreted as persistent market inefficiency but may instead reflect temporary corrections occurring during price adjustment.

The Indonesian stock market provides an appropriate setting to revisit these issues because of its distinctive investor structure and evolving market environment. Existing literature remains limited in two important respects. First, most studies examine cross-sectional momentum and time-series momentum separately and rarely evaluate these approaches jointly alongside dual momentum within a unified empirical framework (Jegadeesh & Titman, 1993; Moskowitz et al., 2012; Antonacci, 2017). Second, empirical evidence regarding overnight return dynamics in emerging markets remains relatively scarce, limiting understanding of whether continuation or reversal dominates under different market structures.

Accordingly, this study contributes to the literature by simultaneously evaluating cross-sectional, time-series, and dual momentum strategies in the

overnight context and by examining whether their performance persists after controlling for systematic risk exposures using the Fama-French five-factor framework (Fama & French, 2015). Through this approach, the study extends existing evidence on overnight return dynamics and provides additional insights into asset pricing, behavioral finance, and market microstructure in emerging markets.

Based on the theoretical arguments and empirical evidence discussed above, the hypotheses are formulated as follows:

- H1: Overnight cross-sectional momentum strategy generates positive abnormal returns in the Indonesian stock market.*
- H2: Overnight time-series momentum strategy generates positive abnormal returns in the Indonesian stock market.*
- H3: Overnight dual momentum strategy generates positive abnormal returns in the Indonesian stock market.*

2. RESEARCH METHODOLOGY

This study employs a quantitative research design to examine the effectiveness of overnight momentum strategies in the Indonesian stock market using high-frequency trading data. The analysis focuses on whether abnormal returns generated during the overnight interval can persist after controlling for systematic risk exposure. To achieve this objective, portfolio returns constructed from cross-sectional, time-series, and dual momentum approaches are evaluated using the Fama-French five-factor asset pricing framework.

The study utilizes secondary data consisting of 30-minute intraday stock prices, daily Jakarta Composite Index (JCI) data, and firm-level accounting information obtained from the Refinitiv Eikon database. The observation period covers July 2021 to September 2023. This period was selected because it represents the post-COVID adjustment phase in the Indonesian capital market, characterized by elevated retail investor participation followed by gradual normalization of trading activity and market conditions.

The population consists of all firms listed on the Indonesia Stock Exchange (IDX) during the observation period. Sample selection follows purposive sampling based on trading continuity requirements for high-frequency return estimation. Because this study relies on 30-minute intraday observations, only firms that remained actively traded across all 30-minute trading intervals were retained in the final sample. Firms with incomplete intraday price sequences were not included because discontinuous trading would prevent consistent construction of overnight returns and momentum portfolios. After applying this criterion, the final sample consists of 112 firms. The empirical analysis generates 546 trading-day observations, where the value of 546 refers to the number of time-series observations used in portfolio estimation and does not represent the number of firms.

To ensure data consistency and reduce measurement bias associated with high-frequency observations, several data treatment procedures were implemented. Historical price series were adjusted for stock splits and reverse stock splits to preserve return continuity. Dividend distributions were incorporated using adjusted prices provided by Refinitiv Eikon. Trading observations affected by abnormal market conditions were examined before inclusion in the estimation process.

Because overnight returns are sensitive to market microstructure effects, additional procedures were implemented to improve measurement reliability. Overnight returns were calculated using portfolio-level aggregation rather than individual transaction prices to reduce distortions caused by bid-ask bounce effects and opening-price anomalies. Stocks displaying zero returns due to temporary illiquidity were retained only when surrounding intervals indicated active trading behavior. To reduce the influence of extreme observations without eliminating relevant information, return values were winsorized at the 1st and 99th percentiles.

Although broad market coverage was maintained, only firms with sufficiently complete historical observations were included throughout the estimation process. Therefore, the findings should be interpreted with consideration of possible sur-

vivorship bias arising from unavoidable sample restrictions.

The return formation procedure follows previous literature on intraday and overnight momentum. The final 30-minute return was calculated as the percentage change between the beginning and end of the last trading interval of day t (Gao et al., 2018; Baltussen et al., 2021; Zhu et al., 2021; Yuan & Li, 2022). Overnight return was defined as the percentage change between the closing price of day t and the opening price of day $(t + 1)$ (Gao et al., 2018; Li et al., 2022; Weißofner & Wessels, 2020; Gao et al., 2022).

Portfolio construction follows three momentum frameworks.

First, the cross-sectional momentum strategy ranks stocks according to their final 30-minute return and classifies them into winner and loser portfolios. Stocks with the highest returns are allocated to the winner portfolio, while stocks with the lowest returns are allocated to the loser portfolio. Portfolio performance is measured using the winner-minus-loser (WML) approach (Jegadeesh & Titman, 1993; Xiong et al., 2020; Lou et al., 2019; Lin et al., 2023).

Second, the time-series momentum strategy evaluates each stock independently based on the direction of its own previous return. Stocks with positive returns are classified as winners and stocks with negative returns are classified as losers. Portfolio returns are subsequently constructed using the WML framework (Moskowitz et al., 2012; Gao et al., 2018; Li et al., 2022).

Third, the dual momentum strategy integrates time-series and cross-sectional approaches simultaneously. Stocks are first grouped according to time-series classification and then ranked cross-sectionally within each group. Long positions are assigned to winner–winner stocks and short positions to loser–loser stocks (Antonacci, 2017; Singh et al., 2022).

To evaluate whether momentum returns represent abnormal performance beyond systematic risk exposure, this study employs the Fama–French five-factor model:

$$R_{p,t} - R_{f,t} = \alpha_p + \beta_m (R_{m,t} - R_{f,t}) + \beta_s SMB_t + \beta_h HML_t + \beta_r RMW_t + \beta_c CMA_t + \varepsilon_{p,t} \quad (1)$$

where $R_{p,t}$ denotes the return of the momentum portfolio at time t , $R_{f,t}$ is the risk-free rate, and $R_{m,t}$ represents the market return. The factors SMB , HML , RMW , and CMA correspond to size, value, profitability, and investment factors, respectively, following Fama and French (2015). The intercept term α_p captures abnormal returns that cannot be explained by systematic risk factors.

The primary parameter of interest is alpha (α). A statistically insignificant alpha indicates that portfolio performance can be explained by systematic risk factors. Conversely, a statistically significant alpha suggests abnormal performance beyond conventional asset pricing explanations.

To evaluate the robustness of the findings, additional analyses were conducted by extending the portfolio holding period beyond the overnight interval and by estimating return behavior across trading days. These robustness procedures were intended to determine whether observed overnight return patterns represent persistent characteristics rather than temporary calendar effects.

3. EMPIRICAL RESULTS

3.1. Descriptive analysis

Table 1 reports descriptive statistics of portfolio returns generated from overnight momentum strategies under different holding horizons. The results indicate that the average return of the cross-sectional momentum strategy during the primary overnight interval (close–open) equals -0.0025 . The corresponding average return for the time-series momentum strategy is -0.0017 , while the dual momentum strategy produces an average return of -0.0018 . These descriptive statistics indicate that none of the three momentum approaches generate positive average overnight returns during the observation period. Instead, the mean returns are negative across all specifications, suggesting that return continuation is not immediately observable during the transition from market closing to market opening.

To further evaluate whether return behavior persists beyond the overnight interval, the analysis extends the portfolio holding period to close, open+1, and close+1. For the cross-sectional momentum strategy, the average returns under these extended horizons are -0.0035 , -0.0032 , and -0.0037 , respectively. For the time-series momentum strategy, the corresponding returns equal -0.0032 , -0.0033 , and -0.0035 . Meanwhile, the dual momentum strategy produces average returns of 0.0008 , 0.0019 , and 0.000 under the same holding configurations. Overall, the descriptive evidence indicates that negative return patterns remain observable across multiple holding horizons for cross-sectional and time-series momentum strategies. In contrast, the dual momentum strategy exhibits less consistent directional behavior when portfolio holding periods are extended.

3.2. Overnight momentum returns

To evaluate whether the observed returns represent abnormal performance beyond systematic risk exposure, portfolio returns were estimated using the Fama-French five-factor model. The estimation results are presented in Table 2. For the overnight interval (close-open), the cross-sectional momentum strategy produces an alpha of -0.003 and is statistically significant at the 1 percent level. Similarly, the time-series momentum strategy generates an alpha of -0.002 and remains statistically significant. The dual momentum strategy also produces a negative alpha of -0.002 with statistical significance during the overnight interval.

The negative alpha estimates indicate that portfolio returns remain negative after controlling for market, size, value, profitability, and investment factors. These findings suggest that the observed return patterns are not fully captured by conventional systematic risk exposures. When the holding horizon is extended, the magnitude of negative abnormal returns remains relatively stable for cross-sectional and time-series momentum portfolios. In contrast, the dual momentum strategy exhibits weaker statistical consistency under longer holding horizons, indicating reduced stability of combined momentum signals across extended return windows.

Based on the estimation results, all three hypotheses predicting positive abnormal returns are not supported empirically. The evidence suggests that portfolio performance generated from overnight return formation does not exhibit positive momentum profitability during the observation period.

3.3. Robustness check

Additional robustness analysis was conducted by estimating overnight momentum performance across trading days. This procedure was intended to evaluate whether the documented return pattern is concentrated in specific calendar periods or remains observable throughout the trading week. The estimation results indicate that cross-sectional momentum generates negative alpha values across all trading days, although statistical significance varies across observations. Time-series momen-

Table 1. Descriptive statistics of returns from overnight momentum strategies

Strategy	Period	N	Mean	Max	Min	Std
Cross-Sectional Momentum Strategy	Close – Open (Overnight)	546	-0.0025	0.01	-0.02	0.005
	Close – Close	546	-0.0035	0.04	-0.04	0.012
	Close – Open +1	546	-0.0032	0.35	-0.36	0.033
	Close – Close +1	546	-0.0037	0.08	-0.06	0.018
Time-Series Momentum Strategy	Close – Open (Overnight)	546	-0.0017	0.01	-0.03	0.003
	Close – Close	546	-0.0032	0.02	-0.04	0.0075
	Close – Open +1	546	-0.0033	0.08	-0.19	0.013
	Close – Close +1	546	-0.0035	0.08	-0.19	0.014
Dual Momentum Strategy	Close – Open (Overnight)	546	-0.0018	0.1	-0.05	0.011
	Close – Close	546	0.0008	0.14	-0.11	0.03
	Close – Open +1	546	0.0019	0.17	-0.12	0.03
	Close – Close +1	546	0.000	0.16	-0.16	0.04

Notes: The value N = 546 represents the number of trading-day observations used in portfolio estimation and does not indicate the number of firms included in the sample. Portfolio returns are constructed from 112 sampled firms.

Table 2. Alpha estimates from the regression of cross-sectional, time-series, and dual overnight momentum strategy returns using the five-factor model

Strategy	Close – Open (Overnight)	Close – Close	Close – Open+1	Close – Close+1
Cross Section	(0.000)***	(0.001)***	(0.001)***	(0.001)***
	–0.003	–0.003	–0.003	–0.004
Time Series	(0.000)***	(0.000)***	(0.000)***	(0.000)***
	–0.002	–0.003	–0.003	–0.004
Dual	(0.000)***	(0.001)	(0.001)	(0.002)
	–0.002	–0.001	0.000	–0.001

Notes: *, **, and *** indicate significance levels at 10, 5, and 1 per cent, respectively. Standard errors are in parentheses. This table reports alpha estimates from Fama-French five-factor regressions of overnight momentum strategy returns. The regressions control for market, size, value, profitability, and investment factors.

Table 3. Robustness check: Trading-day alpha estimates

Strategy	Monday	Tuesday	Wednesday	Thursday	Friday
Cross Section	(0.001)***	(0.000)***	(0.001)***	(0.000)*	(0.001)***
	–0.003	–0.002	–0.003	–0.001	–0.003
Time Series	(0.000)***	(0.000)***	(0.000)***	(0.000)***	(0.000)***
	–0.002	–0.002	–0.002	–0.001	–0.001
Dual	0.003	0.002	0.000	0.002	0.003
	–0.003	–0.002	0.000	–0.003	–0.003

Notes: *, **, and *** indicate significance levels at 10, 5, and 1 per cent, respectively. Standard errors are in parentheses. This table reports alpha estimates from Fama-French five-factor regressions of overnight momentum strategy returns. The regressions control for market, size, value, profitability, and investment factors.

tum displays more stable statistical significance throughout the trading week, indicating greater consistency of return behavior across daily market conditions.

For the dual momentum strategy, estimated coefficients remain generally negative but do not consistently achieve conventional significance levels across all specifications. Compared with cross-sectional and time-series approaches, the combined strategy demonstrates lower stability across trading-day estimations. Overall, the robustness analysis confirms that the overnight return pattern documented in the main estimation is not concentrated in a single trading day. The persistence of negative abnormal returns across trading-day estimations suggests that the documented return dynamics remain observable under alternative estimation windows.

4. DISCUSSION

The empirical findings indicate that overnight momentum strategies in the Indonesian stock market do not generate positive abnormal returns after controlling for systematic risk expo-

sure using the Fama-French five-factor model. Instead, all three approaches – cross-sectional, time-series, and dual momentum – produce predominantly negative alpha estimates during the overnight interval. These results suggest that price movements formed near market close are not followed by continuation during the subsequent opening session but are instead associated with return reversal patterns.

This finding differs from a substantial body of evidence documented in developed markets. Previous studies generally report that overnight return formation exhibits momentum characteristics, where prices formed near market close continue into the following trading session (Lou et al., 2019; Hendershott et al., 2020; Bogousslavsky, 2021; Akbas et al., 2022). Such findings are commonly interpreted as reflecting gradual information incorporation and delayed adjustment mechanisms. However, the results of this study indicate that these mechanisms may not operate uniformly across different market environments.

One possible explanation relates to differences in investor composition and market structure.

The Indonesian stock market is characterized by relatively strong retail investor participation compared with many developed markets. Retail investors generally display greater heterogeneity in information processing and may react more strongly to short-term price movements and public information releases (Zhang et al., 2022; Liu et al., 2023). Under such conditions, price changes occurring near market close may partially reflect temporary demand pressure rather than fully incorporated information. When trading resumes, these temporary deviations may be corrected through subsequent market adjustment.

Market microstructure considerations provide an additional explanation. Overnight return formation occurs in the absence of continuous trading, creating conditions in which price discovery becomes discontinuous. Liquidity conditions at market opening, bid–ask spread effects, inventory adjustment, and execution frictions may contribute to temporary return distortions. Moreover, the limited availability of short-selling mechanisms and barriers to arbitrage in emerging markets may reduce the speed at which mispricing is eliminated, increasing the probability that short-horizon reversals emerge during opening sessions (Akbas et al., 2022; Qiao & Dam, 2020).

From a behavioral finance perspective, the documented reversal pattern is also consistent with the possibility that investors respond disproportionately to recent information and subsequently adjust positions when additional information becomes available. Nevertheless, the present findings should not automatically be interpreted as evidence that the market is inefficient in the strict sense of the Efficient Market Hypothesis. As emphasized by Fama (1970), return predictability may arise from temporary adjustment processes, risk compensation, or

trading frictions rather than persistent exploitable inefficiencies.

The weaker performance observed in the dual momentum strategy under extended holding horizons also provides additional insight. Combining cross-sectional and time-series signals does not appear to strengthen predictive performance in the overnight setting. Instead, the integration of multiple signals may reduce information precision when return formation occurs within extremely short horizons. This result differs from evidence at conventional monthly horizons where dual momentum frequently improves portfolio performance (Antonacci, 2017; Singh et al., 2022).

Although the estimated alpha values remain statistically significant, economic significance should be interpreted more cautiously. Overnight trading strategies involve transaction costs, bid–ask spread exposure, and execution constraints that may reduce realized profitability. Therefore, the negative abnormal returns documented in this study should not be interpreted directly as implementable trading opportunities without incorporating practical trading costs and market execution considerations.

Overall, this study contributes to the literature in three ways. First, it extends momentum literature by simultaneously evaluating cross-sectional, time-series, and dual momentum within an overnight framework. Second, it provides evidence from an emerging market environment that differs from most existing overnight momentum studies concentrated in developed markets. Third, the findings highlight the importance of integrating asset pricing, behavioral finance, and market microstructure perspectives when interpreting return predictability at very short horizons.

CONCLUSIONS

This study aims to examine the effectiveness of cross-sectional, time-series, and dual overnight momentum strategies in the Indonesian stock market using intraday data. The empirical results consistently show that all strategies generate negative and statistically significant abnormal returns during the primary close–open period, indicating the presence of a systematic overnight return reversal pattern. These findings suggest that short-term price movements formed near market close do not persist

but instead tend to reverse during the overnight interval, implying that momentum signals generated at the end of the trading day have limited predictive ability for subsequent returns. Although the dual momentum strategy exhibits weaker significance under extended holding horizons, this does not alter the overall reversal pattern documented in the analysis.

From an economic perspective, the results indicate that overnight trading dynamics in the Indonesian stock market appear more consistent with short-horizon return adjustment than with momentum persistence. This pattern may reflect temporary pricing deviations, heterogeneous information processing, and market frictions that influence overnight price formation. The findings further suggest that overnight return behavior is not fully captured by conventional systematic risk factors and highlight the importance of considering behavioral and market microstructure perspectives when interpreting return predictability over short horizons. Nevertheless, these results should be interpreted cautiously and should not automatically be viewed as evidence of persistent market inefficiency, as return predictability may also arise from temporary adjustment mechanisms and trading frictions.

Future research may extend this analysis by incorporating explicit market microstructure measures, transaction cost estimation, high-frequency trading indicators, and investor composition variables to evaluate whether similar overnight return reversal patterns remain observable across different market environments and asset classes.

AUTHOR CONTRIBUTIONS

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