

Fundamental Analysis of The Canslim Method in The Non-Cyclical Consumption Sector During The Covid-19 Period on The IDX and ISSI

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Abstract: This study uses secondary data by analyzing the stocks available in the Indonesian Sharia Stock Index (ISSI) in the capital market using the CANSLIM method. The CANSLIM method is a method of fundamental and momentum analysis used over a long period. This method fundamental analyzes with three criteria which include (1) Quarterly EPS, (2) Annual EPS, (3) New product, management, and high. Of the 21 issuers in the Indonesian Sharia Stocks Index (ISSI), there are only 14 issuers that meet the criteria for research problems. Companies with stock codes ADES, ROTI, and SKLT have almost perfect fundamental analysis of the CANSLIM method criteria, namely 3/3. The CANSLIM method affects stock returns because it uses fundamental analysis and momentum analysis, such as the current condition of Covid-19, and this method can be used over a long period. So this research is helpful for investors who can scan stocks with the potential for the long term, CANSLIM method can be used as an alternative method in choosing stocks to invest in, and also to help the decision to buy and sell shares.

Keywords: Covid-19, stock return, CANSLIM method, non-cyclical, and Indonesian sharia stock index

1. Introduction

The public was shocked by the information about the outbreak of a virus called Covid-19. Covid-19 is a disease that is easily transmitted because it is caused by a type of coronavirus that was found in Wuhan in December 2019, this virus is easily communicated through breathing, and Covid-19 was detected in Indonesia, which was officially announced by the government of the Republic of Indonesia on March 2, 2020, which indicated 2 Indonesian citizens (covid19.go.id). Indonesia's economy was recorded during the pandemic, which decreased by 2.07 percent compared to the previous years, namely 2019. The level of household consumption can also measure Indonesia's economic decline or growth. From 2019 to 2020, household consumption decreased due to information about policies experiencing major social events (PSBB) in the first quarter of 2020 at 2.84 percent, while the household consumption growth rate in 2019 was 4.96 percent. It can be seen from 2019 to 2020 that household consumption has decreased due to large-scale social restrictions (PSBB), which encourage people to be more careful in managing their finances, one of which is regulating consumption patterns that are needed or basically, such as food, drinks. And health to avoid Covid-19.

Table 1. Product Domestic Bruto (PDB)

Gross Domestic Product (Expenditures)	Total GDP per Year (Million Rupiah)	
	2019	2020
Household Consumption Expenditure	8.910.892.062,96	8.905.756.851,84
LNPRT Consumption Expenditure	206.687.145,57	203.638.000,84
Government Consumption Expenditure	1.438.889.391,65	1.475.387.803,30
Gross Fixed Capital Formation	5.189.184.229,54	4.994.576.952,72
Inventory Change	150.206.689,82	22.244.849,92
Export Net	147.722.251,60	184.074.016,04
Total Gross Regional Domestic Product	16.043.581.771,15	15.785.678.474,94

Source: data obtained from the Badan Pusat Statistik (bps.go.id), 2019-2020

The Central Statistics Agency (BPS) noted that the Indonesian economy in the third quarter of 2021 grew compared to the third quarter of 2020. The growth was spread in the health services, and social activities, which experienced a relatively high growth of 14.06 percent, apart from the There is also produced from the expenditure side, namely the composition of exports of goods and services, which experienced the highest growth of 29.16 percent (Badan Pusat Statistik, 2021). Economic movements also affected the JCI movement, including the decline in the JCI throughout 2020. In the Covid-19 conditions, the JCI experienced a drastic decrease to the level of Rp. 3,989.52 on March 23, 2020. In addition, the sector also declined, such as the plantation sector, which fell by -1, 74 percent, the mining sector grew by 23.69 percent, the industrial sector decreased by -5.84 percent, and the various industry sector decreased by -11.67 percent, consumption weakened by -10.74 percent (Fadillah, 2020). During the Covid-19 pandemic, almost all stocks experienced a decline, but some stocks skyrocketed during the pandemic, namely in the fields of pharmaceuticals, hospitals, technology, gas, and transportation. Stock issuers such as PT Kimia Farma (KAEF) strengthened at the beginning of the pandemic on March 2, 2020, to date by 520.59 percent. Initially, the share price was only 730/share during the pandemic and continued to rise until January 12, 2020, amounting to Rp. 6,975/share. This is because, during a pandemic, people need medicines, and vitamins, to avoid Covid-19.

2. Literature Review

2.1. Stock Return

In stocks, there is something called return (yield), so every investor expects this return when investing a certain amount of money in the company. Return is one that investors look for in funding, and this return is an alternative for investors in choosing shares to be invested in various ways as a result of alternative investments (P. Jones & R. Jensen, 2009). Return is one of the drivers of investing in financial assets in the capital market (Anggraini & Wijayanto, 2021). The purpose of return is to generate how much investors invest in material form and achieve investor prosperity. Demand and supply are two parts that can affect stock price movements. The types of returns that investors expect are dividends and capital gains, and according to the residual dividend theory, companies establish a dividend policy after all profitable investments are financed (Suhadak et al., 2019). Profits obtained by investors, such as dividends and capital gains, are the result of the difference between the selling and buying

values if the investor sells the shares. So stock returns are the profits that investors get and can be a consideration for potential investors to invest their funds in companies that provide higher returns so that investors can get dividends and capital gains if they sell their shares (Yusra, 2019). The Stock Return formula is $(\text{Selling Price} - \text{Purchase Price} + \text{Dividend}) / \text{Purchase Price}$.

$$\text{Stock Return} = (P_t - P_{t-1} + \text{Yield}) / (P_t - 1)$$

2.2. CANSLIM Method

CANSLIM analyzes stock returns in various ways, using the CANSLIM method created by William O'Neil. This method can analyze stocks that investors buy by combining fundamental and technical analysis (J. O'neil, n.d.). The CANSLIM method consists of:

2.2.1. *Current Quartely*

Current quarterly (q1 2022) earnings per share (the higher, the better) is an increase in earnings/shares in the current year must increase by 25 percent to 50 percent or more from the previous year's quarter if the percentage is in the position of 100% to 500% or more then the company is the best-featured company, so the higher the quarterly earnings per share, the better (Mehdi & Asgari, 2013). EPS is a market ratio that can be used to find out the result of the comparison between the income that will be accepted by shareholders or investors and the revenue generated (net profit) to price shares per share in the company (Handayani & Zulyanti, 2018). An increase in EPS means the company is in growth, and improved financial conditions both in the rise in sales and profits, the greater the EPS indicates the company's ability to generate net earnings per share. EPS is one of the factors that affect stock returns.

2.2.2. *Annual Earning Increases*

Annual earning increases (look for significant growth) at the annual profit growth rate must be at least 25% to 50% or more per year. In addition to knowing whether the company is well managed or not, you must know the ROE ratio (Return On Equity), which is at least 17% (Mehdi & Asgari, 2013). EPS can be seen from the number of earnings per share for investors. When EPS is high, as good news for investors. This makes investors attracted to invest in stocks. If the EPS value increases, it can trigger the attractiveness of investors to buy shares in the related corporation, then the price of stocks increase due to high demand (Sari & Rachman, 2021).

2.2.3. *New product, new management, new highs*

New product, management, highs renewal in various aspects can push stock prices up, namely by updating or innovating their products which are predicted to increase sales that continue to be sustainable. In addition, the updated management can improve brainstorming and the latest ideas according to the current market conditions, especially the current technology, which has more potential to increase sales and, of course, affect the company's stock price (Mehdi & Asgari, 2013).

2.2.4. *Supply & Demand*

Supply and demand (shares outstanding plus significant volume demand) in a market, there must be a law of supply and demand which will determine the price for all products or services by observing the daily trading volume and share price, so stocks that are said to be small cap

will have better stock movements it goes up or down from a specific period. It can affect the movement that will shift from cap stock to big cap and vice versa. As for the company or corporation that acts by buying back its shares through the stock exchange, it can be said that the company has better shares with its steps. Measures supply & demand using floats, so most booming stock markets have floats under 25 percent because publicly available stocks change little and low floats fluctuate quickly (Mehdi & Asgari, 2013). Two ways the Float Ratio affects stock return. First, if the Float Ratio is low, investors will avoid it. Second, if the floating ratio is low, it means that the number of shares in the market is not enough and liquidity is low (Sari & Rachman, 2021).

2.2.5. *Leader & Laggard*

Leader or laggard Stocks that are outstanding companies and become leaders in their industry and choose stocks with an RS rating of 80 or higher (Mehdi & Asgari, 2013). The RSI rating usually uses a range of 30% - 70%. Suppose the RSI is at level 30, an indication of oversold or oversold, which is the opposite of overbought, where the condition, when the price is technically analyzed, is relatively cheap. If the RSI is at 70, it is overbought or overbought, which is a condition when the price is considered too high, and it is better for investors who already have shares below this price to realize their profits (Dessy, 2015).

2.2.6. *Institutional Sponsorship*

Research Institutional sponsorship (follow the leader) so that stock prices are pushed up requires large amounts of demand and significant sources of funds from institutional investors such as mutual funds, pension funds, banks, and so on that have many shares in daily stock exchange activities (Mehdi & Asgari, 2013). For stock prices to be pushed up, large amounts of demand (purchases) are needed, and significant sources of funds to make these purchases are institutional investors (institutions) such as Insurance Companies, Banks, Pension Fund Management Companies, and other financial companies. Leading stocks do not require many institutional sponsors, and only a few institutions are willing (interested) to buy them. Institutional sponsors buy on a large scale and tend not to let them go on short notice (sahamu, 2022).

2.2.7. *Market Direction*

Market direction reflects the daily index on the exchange, trading volume, stock price movements, and strategies or steps to become a leading stock that determines whether the stock wins or loses. Most stocks tend to follow general market patterns (Lutey et al., 2014).

So analyzing stocks with the CANSLIM method is to identify companies with solid fundamentals, massive increases in sales, and profit positions resulting from rising new products or services. Then if you want to buy shares, buy them when they start to move up, leaving space for consolidation and before the price spikes even higher.

2.3. Issuers of Cyclical and Non-Cyclical Consumption Stocks

The list of measured issuers from the indexes in the cyclical and non-cyclical consumption stock sectors is classified by the IDX Industrial Classification (IDX-IC). The index measures the price performance of the cyclical and non-cyclical consumption sectors in each sector, referring to the IDX Industrial Classification (IDX-IC). Consumption is an activity in which the use to spend the goods produced or reduce the use value of the goods consumed. Cyclical stocks are stocks that have a high correlation to regional and global economic changes, and cyclical stocks

are classified into two categories: durable goods and non-durable goods. Durable goods are materialized goods that can be used for an extended period. Non-durable goods, such as soap, are often consumed for one or several uses. Non-cyclical stocks are stocks that tend not to affect economic movements.

2.4. Research History in the World

Mehdi & Asgari (2013) study the seven criteria in CANSLIM regarding stocks on the Tehran stock market. In this study, the stocks selected using the CANSLIM method will proliferate in the future. Sub-hypothesis: 1. The current quarterly EPS growth is 20% above the previous year. It will experience a soaring stock movement in the Tehran stock market. 2. The current annual EPS growth of 25% indicates a surging stock movement in the Tehran stock market. 3. Things that happen in a company, namely managerial changes, new products, and new prices cause stock movements to soar in the Tehran stock market. 4. Float stocks below 25% adequate on the Tehran stock market. 5. The industry leader deals with the rising trend of the stock market in Tehran. 6. The existence of institutional sponsors causes the trend of the soaring stock market in Tehran. 7. Effective market direction in the Tehran stock market.

Lutey et al. (2018), the results of this study using a modified CANSLIM strategy provide superior returns. The results are very significant when considering the long-term if the model returns compared to the benchmark yield conclusive results. This study fails to show that it produces a substantial return from the benchmark mean and shows more robust evidence that the mean is better than zero on an annualized basis.

Pan & Long (2021), the results of this study document trading in the stock market with two multi-factor models of two trends in following trades. A more general two-factor model targeting all stocks across the stock market was also developed, which was built as a rules-based system integrating fundamental analysis and technical analysis inspired by the CANSLIM empirical approach. The results of the study found the effectiveness of the Smart Portfolio Theory with the proposed multi-factor model and trading strategy.

3. Research Methods

3.1. Experinmental Method

This section describes the research methods as well as the analysis of the data used.

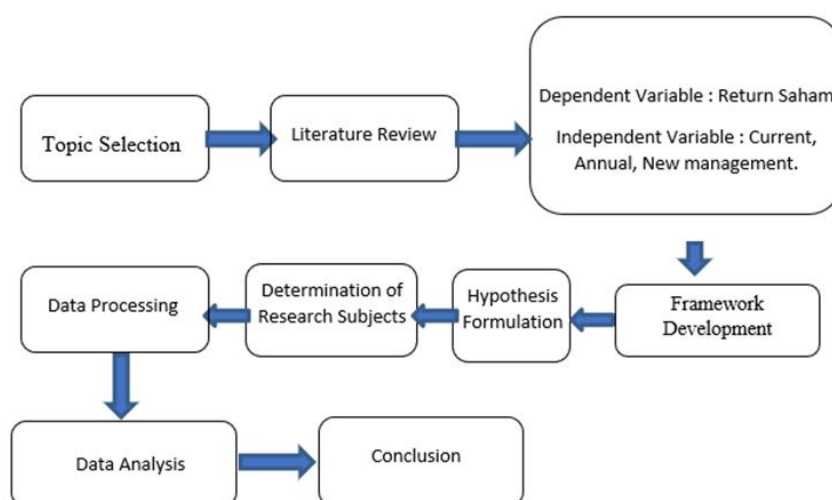


Figure 1. Research Stages
Source: data processed by research, 2022

Based on the chart above, the research steps can be explained as follows:

- 1) Fundamental analysis in the CANSLIM method.
- 2) Topic selection is made by looking at several choices of topics that match interests, then selecting an appropriate research topic.
- 3) Literature study is carried out by looking for theories, previous research, and methodologies based on the topics discussed in this study.
- 4) Identify the dependent variable, independent variable, and intervening variable.
- 5) The development of the framework is carried out by comparing previous studies.
- 6) The formulation of the hypothesis is done by looking at the variables that have been determined whether they have a significant positive or negative effect.
- 7) Determination of research subjects is done to determine who will be the subjects of this research.
- 8) Data processing is done by selecting software that supports multiple linear regression data processing.
- 9) Data analysis was conducted to explain the relationship between variables and interpret data processing results.
- 10) Conclusions are drawn based on data processing and analysis results and answering research hypotheses.

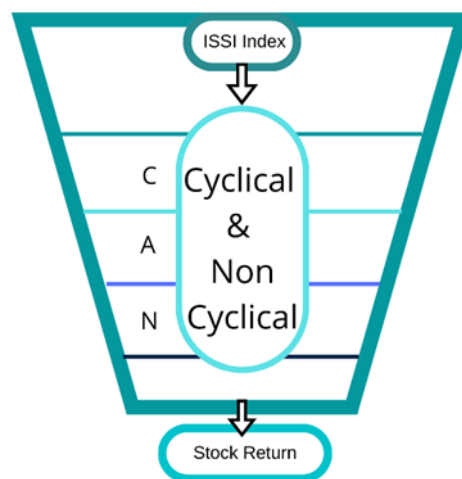


Figure 2. Research Model
Source: data processed by research, 2022

3.2. Research Hypotheses

This study uses quantitative methods, namely analyzing data and matters relating to numbers or calculation formulas used to analyze the problem being studied. Data analysis using multiple linear regression. In regression analysis, the dependent variable is often influenced not only by quantitative variables according to the scale.

3.2.1. Current Quartely

We are analyzing issuers on the IDX in the consumer sector with earnings per share above 20% in Q4 2021 on the IDX. An increase in EPS means the company is in growth, and improved financial conditions both in the rise in sales and profits, the greater the EPS indicates the company's ability to generate net earnings per share. EPS is one of the factors that affect stock returns.

3.2.2. Annual Earning Increases

We are analyzing issuers on the IDX in the consumer sector with an annual profit of more than 25% in 2021 on the IDX. EPS can be seen from the number of earnings per share for investors. When EPS is high, as good news for investors. This makes investors attracted to invest in stocks. If the EPS value increases, it can trigger the attractiveness of investors to buy shares in the related corporation, then the price of stocks increase due to high demand (Sari & Rachman, 2021).

3.2.3. Current Quartely New Product, New Management, New Highs (Buying at the Right Time)

Things that occur during the company renewal, including the creation of new products, changes in company management, price changes, etc., can cause positive stock price movements on the IDX. In addition, the updated management can improve brainstorming and the latest ideas according to the current market conditions, especially the current technology, which has more potential to increase sales and, of course, affect the company's stock price (Mehdi & Asgari, 2013).

4. Results and Discussion

4.1. First Hypotheses

They are analyzing issuers on the IDX in the consumer sector with earnings per share above 20% in Q4 2021 on the IDX. Quarterly EPS per share above 20% in q4 is indicated by +. Of the 21 companies, eight companies meet the EPS q4 criteria above 20%.

Table 2. Current Quartely

Stock Code	Quarter EPS		Stock Code	Quarter EPS	
ICBP	-3%	-	INAF	-121%	-
INDF	-3%	-	MBTO	-27%	-
KAEF	1611%	(+)	MERK	84%	(+)
KLBF	16%	-	MRAT	-44%	-
MYOR	-42%	-	PYFA	-1%	-
SIDO	35%	(+)	ROTI	28%	(+)
ULTJ	22%	(+)	SKBM	186%	(+)
UNVR	-20%	-	SKLT	99%	(+)
ADES	96%	(+)	STTP	-10%	-
CEKA	3%	-	TSPC	5%	-
DVLA	-10%	-			

Source: data processed by researchers from the Indonesia Stock Exchange, 2022

4.2. Second Hypotheses

Results should be clear and concise. Discussion should explore the significance of the results of the work, not repeat them. A combined Results and Discussion section is often appropriate. Avoid extensive citations and discussion of published literature.

Table 3. Annual Earning

Stock Code	Quarter EPS		Stock Code	Quarter EPS	
ICBP	25%	(+)	INAF	-15%	-
INDF	44%	(+)	MBTO	-19%	-
KAEF	18%	-	MERK	113%	(+)
KLBF	15%	-	MRAT	-44%	-
MYOR	-37%	-	PYFA	-1%	-
SIDO	35%	(+)	ROTI	64%	(+)
ULTJ	-2%	-	SKBM	-80%	-
UNVR	-19%	-	SKLT	69%	(+)
ADES	92%	(+)	STTP	-10%	-
CEKA	12%	-	TSPC	10%	-
DVLA	81%	(+)			

Source: data processed by researchers from the Indonesia Stock Exchange, 2022

4.3. Third Hypotheses

Things that occur during the company renewal, including the creation of new products, changes in company management, price changes, etc., can cause positive stock price movements on the IDX. Stocks that have a positive stock return are marked with a +. Of the 21 companies, 14 companies have positive stock return criteria.

Table 4. New Product, New Management, New High

Stock Code	Quarter EPS		Stock Code	Quarter EPS	
ICBP	-21%	-	INAF	168%	+
INDF	-13%	-	MBTO	32%	+
KAEF	92%	+	MERK	24%	+
KLBF	-8%	-	MRAT	96%	+
MYOR	19%	+	PYFA	481%	+
SIDO	-34%	-	ROTI	8%	+
ULTJ	-3%	-	SKBM	-14%	-
UNVR	-9%	-	SKLT	60%	+
ADES	156%	+	STTP	53%	+
CEKA	19%	+	TSPC	12%	+
DVLA	19%	+			

Source: data processed by researchers from the Indonesia Stock Exchange, 2022

5. Conclusion

Table 5. Non-Cyclical

Stock Code	C	A	N	Criteria
CEKA	-	-	+	1/3
ADES	+	+	+	3/3

Stock Code	C	A	N	Criteria
ICBP	-	+	-	1/3
INDF	-	+	-	1/3
MBTO	-	-	+	1/3
MRAT	-	-	+	1/3
MYOR	-	-	+	1/3
ROTI	+	+	+	3/3
SKBM	+	-	-	1/3
SKLT	+	+	+	3/3
STTP	-	-	+	1/3
ULTJ	+	-	-	1/3
UNVR	-	-	-	0/3

Source: data processed by researchers from the Indonesia Stock Exchange, 2022

Based on the table results with the classification of issuers included in the non-cyclical consumption sector using the CANSLIM method. The population of 21 issuers in the Indonesian Sharia Stocks Index (ISSI) is that there are only 14 issuers that meet the criteria of the research problem limitation. Fourteen issuers meet the criteria, and these companies have different results; companies with stock codes ADES, ROTI, and SKLT have almost perfect criteria for the CANSLIM method, which is 3/3 starting from stable financial statements and continuing to increase during the pandemic with EPS q4 above 20%, have annual profit growth above 25%, consistently innovate by producing new products or updating company management. The three companies meet the CANSLIM criteria, which have increased stock price movements during the pandemic, such as ADES, the share price as of March 2, 2020, at Rp. 850 and as of December 30, at Rp. 3,300. ROTI's share price issuer as of March 2, 2022, is Rp. 1,270, and as of December 30, 2021, it is 1,360. Meanwhile, the SKLT issuer's share price as of March 2, 2020, is Rp. 1,610, and as of December 30, 2021, it is Rp. 2,420. The CANSLIM method affects stock returns because it uses fundamental analysis and momentum analysis, such as the current condition of Covid-19, and this method can be used over a long period. This study suggests that investors can scan stocks that have the potential for the long term, and the CANSLIM method can be used as an alternative method in choosing stocks to invest in. Meanwhile, if the scanner is a stock whose EPS is not good, it is not recommended to buy the stock.

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