UNIVERSITI TEKNOLOGI MARA

THE DETERMINANTS OF MACROECONOMIC FACTORS ON INDONESIA STOCK MARKET PERFORMANCE

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ABSTRACT

Jakarta Composite Index (JCI) is the benchmark for all the stock market in Indonesia country. The chart of Jakarta Composite Index (JCI) has shown a volatile from each year. Therefore, the aim of this research is to determine the relationship of macroeconomic factors on Indonesia stock market performance. This research represents the Jakarta Composite Index as dependent variables and Inflation Rate (INF), Interest rate (IR), Gross Domestic Product (GDP) and Exchange Rate (EXC) as independent variables. The study conducted for twenty (20) years which from 2001 until 2020. Also, this study uses the secondary data and a time series as a model to examine the possible relationship of the variables. Therefore, to collect the data, we use time series data and run it by E-views version 12. Hence, there are some methodologies used to identify the significance relationship such as descriptive analysis, normality test, correlation test, multicollinearity test, heteroskedasticity test and regression analysis.

Keywords: Inflation Rate (INF), Interest Rate (BI), Gross Domestic Product (GDP), Exchange Rate (EXC) and Jakarta Composite Index (JCI)

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TABLE OF CONTENT

		Page
AUTHOR'S DECLARATION		i
ABSTRACT		ii
ACKNOWLEDGEMENT		iii
TABLE OF CONTENT		iv
LIST OF TABLES		viii
LIST OF FIGURES		ix
CHAPTER ONE INTRODUCTION		
1.1	INTRODUCTION	1
1.2	BACKGROUND OF THE STUDY	2
1.3	PROBLEM STATEMENT	3
1.4	RESEARCH QUESTIONS	5
1.5	RESEARCH OBJECTIVES	5
1.6	SIGNIFICANCE OF THE STUDY	5
1.7	SCOPE OF THE STUDY	6
1.8	LIMITATIONS OF THE STUDY	6
1.9	DEFINITION OF THE KEY TERMS	7
1.10	SUMMARY	8
CHAPTER TWO LITERATURE REVIEW		
2.1	INTRODUCTION	9
2.2	LITERATURE REVIEW ON STOCK MARKET PERFORMANCE	9
2.3	LITERATURE REVIEW ON INFLATION RATE	10
2.4	LITERATURE REVIEW ON INTEREST RATE	11
2.5	LITERATURE REVIEW ON GROSS DOMESTIC PRODUCT	12
2.6	LITERATURE REVIEW ON EXCHANGE RATE	13
2.7	THEORETICAL FRAMEWORK	14
2.8	SUMMARY	14

CHAPTER ONE
INTRODUCTION

1.1 INTRODUCTION

Stock market performance is a measure of the stock market's or a particular stock's performance which can be classified as indexes or benchmark. It conveys a signal to investors about what they should do next. Indexes allow investors to compare the performance of their portfolios to an index that closely resembles the composition of their portfolio and each index aims to reflect the performance of stocks traded on a certain exchange or market (Violeta, M. A., 2016). The price fluctuation of a company or an index gives an indicator of the stock's, sector's, or economy's near-term direction. Thus, it is measuring a stock's capacity to increase or decrease its shareholders' wealth while price fluctuation is a typical measurement for determining performance of the stock. When the stock price grows, so does the performance of the stock will also rise. On the other side, a decline in price signals poor performance.

Every country has their own benchmark for the stock market. As to represent the Indonesia stock market performance, this study used the Jakarta Composite Index (JCI) which is benchmark for Indonesia's country. JCI displays a timeline of historical data on the movement of the total stock price of all shares up to a specific date and the stock price movements are usually published every day, depending on the exchange's closing price for that day (Nugraha, N. M., Hetlambang, D., Nugraha, D. N. S., & Amalia, S., 2020).

Referencing a journal from Violeta, M. A. (2016), the data from Bloomberg stated that Jakarta Composite Index (JCI) known as the modified capitalization-weighted index of all listed companies in the main board of Indonesia Stock Exchange. Besides that, Indonesia stock market also are meaningful to the global financial market as it is was one of the emerging markets which play as an important role in ASEAN capital market and relate to foreign direct investment in year of 1967 (Suyanto, 2004).