# ABSTRACT

*The movement of the stock price index is one factor that can be used to analyze the cointegration relationship between the stock market. Cointegration exist when there is a long-term equilibrium relationship or together movement between two or more stock market price index. By knowing the cointegration relationship among the stock markets, can assist investors in determining which stock market will be used to establish the international diversification so that can provide a potential advantage.*

*This study aimed to analyze the cointegration relationship among stock markets of the countries in the ASEAN - China Free Trade Area, before and during China's stock market crisis. The data employed in the study is composed of weekly closing stock price index over the period from January 1, 2010 to September 30, 2016. The analytical methods used are the unit root test (with Augmented Dickey-Fuller and Phillips - Perron Test), Johansen Cointegration Test, and Vector Error Correction Model (VECM).*

*The results provide the conclusion that there is a cointegration relationship among stock markets of the countries in the ASEAN - China Free Trade Area before and during China's stock market crisis. It also produced the finding that there is a change in the level of cointegration relationship among the stock markets of countries in the ASEAN - China Free Trade Area during the crisis than before the crisis.*

***Keywords:*** *Cointegration, Stock Market, ASEAN - China Free Trade Area, Contagion Effect, Diversifikasi Internasional, Unit root test, Johansen Cointegration Test, Vector Auto Regression, Vector Error Correction Model.*