# ABSTRACT

This thesis examined how sector stock indices react, as a consequence of crude oil price movements, by studying the reaction of each sector specifically. This thesis specifically aims to demonstrate short-term reactions that change stock prices, as a response to shocks of crude oil price, by constructing the GARCH model and model with asymmetric specifications, to explain this phenomenon. Furthermore, an explanation of the causal relationship, that has the possibility of a unidirectional or two-way relationship among crude oil prices and the return of stock prices, in the index per sector. The results of this thesis, study the potential for asymmetric relationships that will change how the capital market behaves, in trading stocks.

The results of this thesis illustrate that, stock prices in each sector have an overall positive effect, with various significance and sensitivity levels. The agricultural and mining sectors become an anomaly in this study, where it is found that an asymmetric reaction to changes in crude oil prices has a significant impact. The three models were prepared with macroeconomic considerations including currency exchange rates and rates of long-term interest, which could be the risk factors.


Key words: crude oil price, Indonesian stock exchange, stock market indices, time-series exchange rate.

JEL Classification:016, E32, F31