

ABSTRACT

The study was conducted to determine whether there are effect of inflation, interest rate, exchange rate, and the gross domestic product to Jakarta Islamic Index (JII). The study population is the Jakarta islamic index during January 2010 until December 2017.

The method of analysis using Vector Autoregresive (VAR) is used to analyze effect between variables as a whole. The results of the VECM test show that Inflation, Interest Rates, GDP and Exchange Rates have a significant influence on the Jakarta Islamic Index. The IRF (Impulse Response Function) result shows the fastest response of JII achieves stability when receiving shocks from the Interest Rate variable. FEVD test results (Forecast Error Variance Decomposition) shows that the Exchange Rate is the variable that most affect JII.

This study recommends strengthening the coordination of monetary authorities, strengthening of the real sector, and minimizing the influence of interest rate towards islamic stocks.

Keywords: Jakarta Islamic Index, Macroeconomics, Vector Autoregressive (VAR), Inflation, Interest Rate, GDP, Exchange Rate