

## **ABSTRACT**

The inter-state cooperation agreement is a new form of market liberation that is a forerunner to integration, for example in the financial sector through the stock market. The ASEAN Economic Community (AEC), which has been taking place since December 2015, provides an optimism over the development possibility of ASEAN share market integration. This study objected to determine whether or not there is an increasing integration in ASEAN stock market after the introduction of MEA, especially its effect on Indonesia.

This research uses Vector Autoregression (VAR) method with Augmented Dickey-Fuller (ADF) stationary test, Augmented Dickey-Fuller Residual (ADF-Residual) cointegration test, Granger Causality Test, VAR Estimation, Impulse Response Function and Variance Decomposition. Using the sample of stock market in ASEAN-5 countries: Indonesian Stock Market (IHSG), Malaysian Stock Market (KLCI), Philippine Stock Market (PSE), Thai Stock Market (SET) and Singapore Stock Market (STI). Weekly closing price index data on each stock market with a period of January 1, 2011 to December 31, 2015 (Period Pre-MEA) and January 1, 2016-31 December 2016 (Period MEA) are collected through the Bloomberg Database portal.

The results show that there is an integration relationship between ASEAN-5 stock market. The Augmented Dickey-Fuller Residual cointegration test also shows a long-term relationship. Increased integration among ASEAN-5 capital markets is indicated by increasing influence, causality relationship and response given to shocks occurring in the capital markets of other countries from the pre-MEA period to the MEA periode.

Keywords: Stock Market, Integration, ASEAN Economic Community (AEC), Vector Autoregression (VAR), IHSG, KLCI, PSE, SET, STI.