

## **ABSTRACT**

*During May 2013 until December 2013 Indonesia's financial market index was damaged by the issue of tapering off Quantitative Easing program(QE) which extremely excess USD money supply by The Fed. Therefore, This research aims to examine the impact of the USD money supply during and before quantitative easing program towards financial market volatility in Indonesia which is proxied by variance of financial market index such as IHSG, Gold Price in IDR, and Exchange Rate IDR/USD to find out the effect of the excess USD money supply on Indonesia's financial market volatility. This reseacrh has used monthly time series data of M1 of USD, IHSG, IDR/USD Exchange Rate, and Gold Price from December 2008 to December 2013. This research is conducted following previous research such as Panyasombat (2012), Techarongrojwong (2013), Ahmed & Zlate (2012), Liu (2013), Srikanth and Kishor (2012).*

*The model which is used to measure volatility of financial market in this research is TGACRH. The reason of using TGACRH in this research is to find out wheter the volatility or variance at previous time affects volatility of these financial market index at present time and assymmetric information is exist in the financial market index.*

*The result showed that there's a difference between the effect of USD money supply to financial market index volatility in Indonesia during QE program and before QE program. Before and during QE program, USD money supply positively affects IDR/USD exchange rate volatiliy and IHSG volatility and negatively affects Gold Price volatility. During QE program, USD money supply negatively affects volatility of IDR/USD exchange rate and IHSG, and positively affects Gold Price volatility.*

*Keywords : USD Money Supply, Financial Market Volatility, IHSG, Gold Price, IDR/USD Exchange Rate.*