

ABSTRACT

One way to measure the performance of capital market is a stock index. Composite Stock Price Index (IHSG) is the most widely used index and used as a reference on the development activities in the capital market. There are many factors can affect the stock index in the capital market. This research aims to analyze the influence of the BI rate, exchange rate, inflation, the Dow Jones Industrial Average (DJIA), and Nikkei 225 stock index over the period January 2006 – December 2012.

This research used ARCH/GARCH with 6 variations of (p) and (q). Model feasibility, significance of variable, coefficient sign, AIC dan SIC value are the criterion to choose the best model. This research uses monthly data from the years 2006 – 2012 for each variable. BI rate, exchange rate, inflation, the DJIA and Nikkei 225 index as the independent variable, while the dependent variable is IHSG.

Test result showed that GARCH 1.1 is the best model. Based on the result, DJIA and Nikkei 225 index had a positive effect on IHSG. While the variable of exchange rate was negatively affect to IHSG. In addition, BI rate and inflation have no significant effect on IHSG.

Keywords : Composite Stock Price Index (IHSG), macroeconomics variables, integration of world capital markets, ARCH/GARCH