

ABSTRACT

The integration of stock market in the ASEAN +3 has rapid development. It provides a variety of benefits and threats. Therefore, it is necessary to control the capital markets sector together. One of them is by observing the relationship between stock index return in each country. This study has the purpose to analyze the relationship between return volatility index, the response of each index return over volatility in other countries, and the impact of a volatility index returns against returns the index of other countries.

The population in this study is the return on the stock index of existing ASEAN +3 countries in 2006-2014. Samples were taken by using purposive sampling method that returns the index stocks gained 8 countries from ASEAN +3 member countries become ASEAN -5 +3 qualified as a sample. This study uses the Dynamic Conditional Correlation Multivariate-GARCH (DCC MGARCH) using OxMetrics 6 and Eviews 8.

The results showed that of Univariate GARCH Test found a significant relationship between stock index returns with the volatility of the past of each country in which there is at ASEAN -5 +3 member countries. For the results of the analysis of Dynamic Conditional Correlation Multivariate-GARCH (DCC MGARCH) shows the dynamic correlation indicates that there is volatility residual of stock index returns correlation between countries of ASEAN -5+3. These results indirectly prove the existence of capital market integration in ASEAN -5 +3.

Keywords : *integration of capital markets sector, index returns, volatility return index, volatility index residual returns, Dynamic Conditional Correlation Multivariate-GARCH (DCC MGARCH).*