ABSTRACT

The capital market is an indicator of a country's economic progress as well as a means of transferring funds from those who have the funds to those who need funds. Capital market in Indonesia is an emerging markets which in its development is very vulnerable to macro conditions in general.

This study aims to analyze the relationship between the interest rate, exchange rate, trading volume and stock returns. The sample used in this study is a secondary data IHSG closing price, trading volume, interest rate and exchange rate period from 2003 to 2013. Methods of analysis used in this study include stationary test, tests multivariate cointegration: Johansen Cointegration Test, VECM estimation, statistical tests t, test F statistic, coefficient of determination (R^2), impulse response analysis, variance decomposition analysis and granger causality test.

The results of this research show that stock returns have a positive effect on trading volume. Trading volume has no effect on stock returns. Exchange rate has a negative effect on stock returns and trading volume. Interest rates have no effect on stock returns and trading volume. Granger causality test results indicate that there is no causal relationship between trading volume and stock returns.

Keywords: Emerging market, Interest Rate, Exchange Rate, Trading Volume, Stock Return, VECM, Granger Causality Test