ABSTRACT

A stock market is one of the subsectors playing such a very important role in moving the economic wheel of a country that it becomes one of the economic indicators of the country. One of the performance measures of a stock price indices. A number of factors may influence a stock price indices at stock market, including global economic conditions, world energy price levels, political stability of a country (Blanchard, 2006); forign currency rates, international economic conditions, and a country's economic cycle (Samsul, 2008). Within the observed period of 2000-2013 a phenomenon occurs that the interrelation between macro-economic variables and Jakarta Composite Index (JCI) movements deviates from the theory. This is supported with the discrepancies from previous research results. This study aims at analyzing the influence of the world oil prices and world gold prices toward interrelation of exchange rate (IDR against US dollar) and Jakarta Composite Index.

The data used in this study are monthly data from January 2000 to January 2013. The aims of the study will be achieved using Co-integration test to see the long-term relation among variables and VAR/VECM model to see whether the movement in world oil prices, world gold prices, and exchange rates influences JCI and JCI influences the exchange rates. Furthermore, Impulse Response analysis used to determine if the response index and exchange rate shocks in oil prices and gold pricesworld, as well as using Variance Decomposition analysis to determine the role of variable oil prices and gold prices in explaining the JCI movement and exchange rates.

The results of Co-integration analysis shows that all variables, i.e. world oil prices, world gold prices, exchanges rates and JCI in the long term co-integration. The results analysis shows that world oil prices do not significantly influence JCI; world oil prices significantly influence exchange rates; world gold prices do not significantly influence JCI; world gold prices do not significantly influence exchange rates; exchange rates significantly influence JCI; JCI significantly influence rates. The results causality analysis shows that there is causality relation between exchange rates and JCI. The results of Impulse Response analysis shows that fluctuation of world oil prices will be negatively responded by exchange rates; fluctuation of world gold prices will be negatively responded by JCI and exchange rates; exchange rates value movement will be positively responded by JCI; and JCI movement will be positively responded by exchange rates.

Keywords: oil prices, gold prices, Jakarta Composite Index, exchange rate, co-integration, VECM, Granger causality.