

ABSTRACT

The movement of index value is one of the factor that can be used to analyze stock market integration between countries. The change in integration degree always happen because of political, social, and economic event in the world. The changes that happened can be either an increasing in integration or decreasing in integration. The more stock market integrated, there will be a comovement between stock market indexes that will affect arbitrating chances for investors. As Fama (1970) said that an integrated stock market is a stock market in an efficient condition so that the price of stock consist all the available information.

In this research the integration degree between Indonesian stock market and ASEAN-5 countries stock market in the period of 2001 to 2009 are analyzed. The analysis methods that used in this research are Augmented Dickey-Fuller, VAR estimation, Impulse Responses, and Granger Causality.

With this methods can be found that there are increasing in integration relationship between Indonesian stock market with ASEAN-5 stock market and there are two-ways causality relationship in this integration. In this research also be found an increasing in integration between Indonesian stock market with ASEAN-5 stock market after the ratification of Kyoto Protocol by Indonesia.

Keyword : Kyoto Protocol, Stock Market Integration, Augmented Dickey-Fuller, VAR, Granger Causality, VAR estimation