ABSTRACT

TIPRI ROSE KARTIKA. Dynamic Volatility Behavior In Stock Market Indonesia. Under direction of NOER AZAM ACHSANI, ADLER HAYMANS MANURUNG and NUNUNG NURYARTONO.

Indonesia stock market is a highly dynamic market, this can be seen from the volatility of the stock market in Indonesia is still higher than the stock markets in other countries in Asia. Conducted many studies of the volatility in developed countries but less in developing countries. The main factors of stock market volatility which depend on economic and political conditions in a country, the influence of the world’s information and the volatility of the circumstances of the other countries. The purpose of this study is to see the behavior of stock markets in Indonesia, determine factors that influence the volatility Stock Market in Indonesia and to view the transmission of stock market volatility in Indonesia on the United States, Hongkong and Singapore. This research is a case study in the period 2000-2011 Indonesian Stock Market. The results showed that, the behavior of stock market volatility in Indonesia is heavily influenced by political uncertainty and economic factors in the country in addition to the influence of global economic circumstances. The long-term relationship between the volatility stock market Indonesia of the Industrial Production Index, the net buying by foreign investors, the exchange rate of rupiah against the dollar, the inflation rate and the dummy (which is a proxy of the political situation and bombs). In the short term, volatility stock market Indonesia in the previous period and the two prior periods, net buying by foreign investors two previous periods, interest in the two previous periods, and dummy significantly affect the volatility of the current. To conclude that the transmission of volatility of stock market volatility in Indonesia is currently affected by stock market volatility in Indonesia itself in previous periods, and also influenced by the stock market in the United States, Hongkong and Singapore. While the effect of volatility on stock markets of Indonesia in the three previous periods affects only the stock market in Singapore, it can happened because of the geographical location of Indonesia and neighboring Singapore, and stock market investors who invest in Indonesia and Singapore are the same investors.

Keywords: Volatility of stock market, economic conditions, political conditions, the influence of the world’s information, the volatility the circumstances of the other countries.