ABSTRACT

The Effect of Composite Stock Price Index Return and Macroeconomic Variables to Primary Sector Stock Return: GARCH Analysis

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This study examines the effect of Composite Stock Price Index (CSPI) and macroeconomic variables to sectoral stock return. The macroeconomic variables hypothesized to affect the sectoral index performance are change in exchange rate (IDR to US Dollar return), change in SBI rate and inflation level. The selected sectoral stock are Agriculture and Mining sector. Data are collected from January 2002 until June 2007. The statistical method used are multiple regression and Generalized Autoregressive Conditional Heterokedasticity (GARCH). The result show that there are positive relationships between CSPI return to Agriculture and Mining stock return. This research also indicate that there are negative relationships between exchange rate return as well as change in SBI rate to Mining stock return. But the result do not show any relation between inflation level to Agriculture and Mining stock return.

Keywords: Sectoral Stock return, CSPI, Macroeconomics Variables, GARCH.