SUMMARY

DENNIS NUGROHO PRAKOSO. Macroeconomics Effect on LQ45 and Pefindo 25 Index Return. Supervised by MUHAMMAD FIRDAUS and TRIAS ANDATI

Stock is one of the most popular investments. Investors always expect a positive return from the investment, but actually it is difficult to always get a positive return from investment. In effort to mitigate risk that could happen in investment, investor can use stock index as a tool to predict gain from the investment. Index that investor frequently used in their investment is LQ45 and Pefindo 25 as a reference which stock the investor will invest in. The LQ45 index is used to describe the "behavior" of large capitalization stocks while the Pefindo25 index is used to represent a group of stocks with medium and small market capitalization. This study aims to identify the effect of macroeconomics factor to index return of LQ45 and Pefindo 25.

Macroeconomic factors give enormous influence on the fluctuation of the rate of return on stocks that is reflected in the stock price movement in the stock market. Index movement is very fluctuative; the fluctuative movement of index is as a resut of changes in macroeconomics factor. The relation between macroeconomics factor and return of LQ 45 and Pefindo 25 index will be tested in this research using Ordinary Least Square (OLS) method.

Results show that LQ45 index affected by *BI Rate*, Exchange rate, Gold price, and Oil Price. Pefindo 25 Index shows that the index is affected by *BI Rate*, IHK, and Oil Price. Macroeconomics factor that influenced LQ 45 and Pefindo 25 have a positive effect except Exchange rate on LQ 45 Index, this result in investor may hold or add their investment in LQ45 if *BI Rate*, Gold, and Oil Price is projected to increase in the future to gain more profit, and to decrease their investment if Exchange rate is going up. Pefindo 25 shows that if macroeconomic factor is increasing investor should increase their investment.

Key words: Stock Index, LQ45, macroeconomics, Pefindo 25, stock return.