SUMMARY

DEBBIE MEGASARI. Asymmetric Volatility and Macroeconomic Variables that Affect in Indonesian Government Bond Return. Supervised by HERMANTO SIREGAR and FERRY SYARIFUDDIN

Increased in infrastructure development by government has resulted in an improvement in the level of investment in Indonesia. It will also have an impact on increasing the government expenditure. Source of funds used by the government in funding the budget comes from government revenue and debt. Surat Berharga Negara (SBN) is one of the government's strategies in obtaining long-term development financing.

The renewal of SUN rating issued by Fitch Ratings in December 2017 became a positive sentiment for investors. The uncertainty of The Fed in determining the benchmark interest rate makes the bond market vulnerable and volatile so that the market could not survive with positive sentiment. In addition, foreign investors who withdraw their investments could also make the bond market vulnerable and volatile.

The results of the study found that EGARCH model is the best model that can be used to asses the volatility of government bond return. Asymmetric volatility was found in short, medium and long-term government bond return. Negative information had a greater impact than positive information in short, medium and long term government bond return.

Inflation had no significant effect in short-term bond return but it has significant positive effect on medium and long-term bond return. Deposit interest rates, Effective Federal Funds Rates (EFFR), and return in Jakarta Composite Index (JCI) had significant positive effect in short, medium and long term bond return. The exchange rate had significant negative effect in short, medium and long term bond return.

Keywords: EGARCH, Indonesian government bond, bond return, macroeconomic variable, asymmetric volatility.