

Abstraction

The capital market is one of the economic indicators that growing rapidly measured by IHSB Composite Stock Price Index (IHSB). There are many factors that can affect the index, some major factors such as the domestic economic fundamentals, foreign economic fundamentals and capital flow (Adler H Manurung, 2008). The purpose of this study is to determine the extent of the influence of Domestic Economic Fundamentals represented by: inflation, Gross Domestic Product (GDP), Total Money Supply (M2) Interest Rate of Bank Indonesia (SBI), and the U.S. \$ exchange rate; Foreign Economic Fundamentals represented by: DowJones index, HangSeng Index, World Crude Oil prices, The Fed's Interest Rate ; and next is The Capital Flow represented by Current Account, Capital account and Net Foreign Buying interact with IHSB.

The method of analysis used in this study is the multiple regression analysis to the three main factors separately, with sample range from 2001 until 2011 and sample collection techniques is by taking daily data on average of 3 months to avoid any inconsistency arise due to sentiments.

The results of this study indicate that the variables of GDP and Money Supply represents the domestic economic fundamentals ; whereas HangSeng index variable, World Crude Oil Prices represents the Foreign economic fundamentals; while the capital account variables represents The Capital Flow factor have a positive effect and significant to IHSB. Then variable of interest rate the Fed have negative effect and significant to IHSB.

Keywords: IHSB, Domestic Macro economic of domestic, Macro economic of Foreign , and the Flow of Funds