ABSTRACT

The purpose of this research is to test the influence of macroeconomic variables and co-integration of international stock market index variable with stock market fluctuation in Indonesia which is represented by LQ 45 Index. Macroeconomic variables are represented by inflation, exchange rate, BI rate, world oil price, and world gold price. Co-integration of international stock market index variable is represented by Straits Times Index (STI). Stock market fluctuation in Indonesia is represented by LQ 45 Index.

The developed research model is the combination between time series behaviour approach and multifactor model. The combination of these two models creates GARCH multifactor model. The population of this research is LQ 45 index which is released by Indonesia Stock Exchange. The sample of this research is monthly time series data of LQ 45 index from July 2003 to June 2013.

The findings of this research are : (1) The return of LQ 45 index follows the process of volatility clustering in GARCH model; (2) The result of model evaluation using R^2 Coefficient, Adjusted R^2, Log Likelihood, Akaike Information Criterion (AIC), and Schwarz Criterion (SC) shows that the second multifactor model TARCH (2,1) is the best model; (3) Macroeconomic variables such as inflation, exchange rate, BI rate, world oil price, and world gold price have significant effect but low impact; (4) Co-integration of international stock market index variable is represented by Straits Times Index (STI) has significant effect but low impact.

Keywords : LQ 45 Index, ARCH/GARCH, TARCH Multifactor Model

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