ABSTRACT

The purpose of this research is to the test the influence of macroeconomic variables and co-integration of international stock market index variables with stock market volatility in Indonesia. Macroeconomic variables are represented by inflation and exchange rate. Co-integration of international stock market index variables are represented by Straits Times Index (STI) and Dow Jones Industrial Averages (DJIA). Stock market volatility in Indonesia is represented by Jakarta Stock Exchange Composite Index (JSI).

Time series process an multifaktor models are employed. The model combines two aproach called Multifactor GARCH. The population of research using Jakarta Stock Exchange Composite Index (JSI) which released by Indonesian Stock Exchange, Straits Times Index (STI), Dow Jones Industrial Average (DJIA), Foreign Exchange (USD/IDR) and Inflation. The samples size of this research using monthly time-series data for the period January 1997 to January 2013.

The findings are: (1) JSI return has volatility clustering that measured by GARCH Process; (2) Based on R^2, adjusted R^2, LogLikelihood, Akaike Informasi Criterion (AIC) dan Schwarz Criterion (SC) show that Multifactor TARCH Model is the best among five developed models; (3) As a proxy of market risk GARCH has biggest influence of volatility JSI return. (4) Macroeconomic variables such as inflation dan exchange rate having significant influences but low impact; (5)Co-integration of international stock market index variables are represented by Staits Times Index (STI) and Dow Jones Industrial Averages (DJIA) has significant influences but low impact.

Keywords : Volatilitas, Return JSI, ARCH/GARCH, TARCH Multifactor Model.

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