

THE CAUSALITY EFFECTS AMONG MACROECONOMIC FACTORS AND EMERGING MARKET STOCK INDICES TO JAKARTA COMPOSITE INDEX

Fati Ramadhanti¹

ABSTRACT

This study investigates the causality effects among macroeconomic factors i.e. inflation rate, interest rate and GDP; and emerging market stock indices i.e. stock index of China, India, South Korea and Malaysia to Jakarta Composite Index from January 2003 to December 2012. This study employs Granger causality test as research methodology to determine whether or not there are causality effects among the variables. All variables in this study are observed using monthly data, except for GDP. The overall results indicate that there are three unidirectional causalities and one bidirectional causality occurred among the variables observed. The unidirectional causalities occurred from inflation rate to JCI, from Shanghai Stock Exchange Composite Index (SSEC) to JCI and from JCI to Kuala Lumpur Composite Index (KLCI), while bidirectional causality are found between GDP and JCI.

Keywords: JCI, Macroeconomic Factors, Emerging Market Stock Indices

¹ Undergraduate Student of Management Program in Universitas Bakrie