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FACULTY OF BUSINESS MANAGEMENT AND PROFESSIONAL STUDIES MANAGEMENT AND SCIENCE UNIVERSITY

BACHELOR IN FINANCE (HONOURS)

THE IMPACT OF MACROECONOMIC FACTORS ON INDONESIA STOCK MARKET

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DECLARATION

I, Siska Trisna Dewi Br Sembiring, hereby declare that this thesis entitled "The Impact of Macroeconomic Factors on Indonesia Stock Market" is my own work, prepared under the supervision of my lecturers. Any quotations and sources of ideas borrowed to enhance this study have been cited. This study has not been presented or submitted in any place for a degree or any other purpose, and no part of this study has been previously published. I hereby accept responsibility if any evidence is found that contradicts my opinion.

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ABSTRACTS

The purpose of this study is to assess how macroeconomic factors affect the performance of the Indonesian stock market by observing the stock price of the LQ45 index. The stock market is an important indicator that influences the development and progress of a country's economy. Technically, stock market price movements depend on investor decisions. In making investment decisions, investors generally pay attention to the macroeconomic situation of the country. The multiple linear regression analysis method is used in analysing the relationship, which is assisted by SPSS version 26. The five independent variables observed are the inflation rate, interest rate, exchange rate, money supply, and GDP. The data collected is from 2018 to 2022. The results of this study indicate that the exchange rate has a significant negative effect on the LQ45 index stock price. Inflation, interest rates, and the money supply have a positive relationship with the movement of the LQ45 index stock price, and the GDP level is negatively related.

Keywords: Indonesian LQ45 Index, Macroeconomic, Inflation, Interest Rate, Exchange Rate, Money Supply, GDP, Stock Market.

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Table of Contents

CERTIFICATE OF THESIS ii
THESIS COPYRIGHT / AGREEMENT iii
DECLARATION iv
ACKNOWLEDGEMENT v
ABSTRACTS vi
List of Figure ix
List of Table x
Chapter I: Introduction 1
1.1 Background 1
1.2 Problem Statement 2
1.3 Research Objective 3
1.4 Research Question 4
1.5 Scope of study 4
1.6 Significant of study 4
1.7 Summary 5
Chapter II: Literature Review 6
2.1 Introduction 6
2.2 Theory Background 6
2.3 Stock Market Performance 6
2.4 Determine of Variable 7
2.4.1 Inflation 7
2.4.2 Interest Rate 7
2.4.3 Exchange Rate 8
2.4.4 Money Supply 9
2.4.5 Gross Domestic Product 9
2.4.6 Index LQ45 10
2.5 Framework 10
2.6 Summary 11
Chapter III: Research Methodology 12
3.1 Introduction 12
3.2 Research design 12
3.3 Population and sample size 12
3.4 Type of Data Use 12

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3.5 Data Collection Method 13
3.6 Data Analysis strategies 13
3.7 Summary 15
Chapter IV: Result and Data Analysis 17
4.1 Classical Assumption Test 17
4.1.2 Multicollinearity Test 18
4.1.3 Heteroscedasticity Test 18
4.1.4 Autocorrelation Test 18
4.3 Summary 21
Chapter V: Recommendation and Conclusion 22
5.1 Introduction 22
5.2 Overview study 22
5.3 Discussion of result 22
5.3.1 Impact of Inflation on LQ45 Index Stock price 22
5.3.2 Impact of Interest rate on LQ45 Index Stock Price 23
5.3.3 Impact of Exchange rate on IDXLQ45 Price 24
5.3.4 Impact of Money Supply on LQ45 Index Stock Price 24
5.3.5 Impact of GDP on LQ45 index stock price 25
5.4 Contribution of Study 26
5.4.1 Body of Knowledge 26
5.4.2 Theory 26
5.4.3 Practical 26
5.5 Limitation of Study 27
5.6 Recommendation for future research 27
5.7 Conclusion 27
References 28
Appendix 30
- Company List 30
- Presentation Slides 30
- Turnitin 36

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List of Figure

Figure 2. 1 Framework.....14
Figure 4.1. 1 Histogram(Normality Test).....20
Figure 4.1. 2 Multicollinearity Test 18
Figure 4.1. 3 Heteroscedasticity Test.....18
Figure 4.1. 4 Autocorrelation Test 19
Figure 4.2 1 Multiple Regression Test.....19

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List of Table

Table 3.5. 1 Literature Support 13

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Chapter I: Introduction

1.1 Background

The stock market is one of the factors that plays an important role in the economy of a country because of the two functions it has. First, the capital market is a forum that brings together the owners of capital funds (investors) and those who need capital, namely the corporate sector and the government, to maintain the stability of company liquidity or expand business, and the capital market also acts as an organised market for investors to trade securities freely. The general consensus is that the capital market has made it possible for the general public to participate in the expansion and development of the economy.

In Indonesia, The stock market began to be known since 1912, which was formed by the Dutch colonial government in the city of Batavia or now known as the capital of Indonesia, DKI Jakarta. The establishment of the stock market was a dutch colonial plan to trade the shares of their company in the country. unfortunately, the Batavia stock market at that time was still underdeveloped, the occurrence of World Wars I and II, as well as the country's political conditions at that time, caused the Batavia stock market to experience a major recession, this agony indirectly affected the actions of investors in investing, and then in 1952 Government of Indonesia reopened the Batavia stock market, but at that time (1952 - 1977) the stock market did not show a progress and growth so investors were not interested in investing in the Indonesian stock market, because the government was considered to have not prepared the Batavian stock market professionally, because the government was also nationalizing Japanese-Dutch-owned companies which were the initial movement in reviving the country's economy since it was declared independent in 1945.

The Indonesian Stock Market was officially and professionally reopened by the Indonesian government in 1977 with the Jakarta Stock Exchange (JKSE), and the first shares registered were shares of PT Semen Cibinong, and until now there were 845 shares registered in the Jakarta Stock Market. Naturally, the public interest in ever-increasing technological advancement and public awareness of financial management is driving the stock market's development. This is done to prevent currency values from falling as a result of inflation and rising interest rates. or any other factors that eventually lead to a decline in the value of a currency. As a result, these things encourage people to invest.

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Investment has the definition of an activity of allocating funds into an asset over a certain period of time with the aim of obtaining income or increasing the value of the investment. In theory, investment is about making decisions to choose where funds are allocated by calculating risks that are in accordance with the goals and characteristics of investors. Generally, investors will be attracted to investments that they consider provide better returns than investing in other instruments, but with every advantage in investment there are also risks to be faced.

In the stock market, there are two types of investment risk: non-systematic and systematic. Non-systematic risks are risks that originate from within the individual themselves, such as the investor's financial condition and characteristics. While systematic risk is a risk in investment activities that is not based on individual investors and originates from the external environment, such as changes in the country's economic conditions caused by its macroeconomic variables, rising raw material prices, or changes in interest rates, exchange rates, money supply, or GDP of a country that affect the country's inflation rate, A continuous increase in the inflation rate can cause the country's economy to decline and will also have an impact on the performance of the country's stock market.

1.2 Problem Statement

Several previous studies have analysed the stock market and its influencing factors. Kwofle, Charles, and Ansah RK (2018) found in the study that there is a significant long-term positive relationship between GSE returns and the inflation rate in Ghana. While the results of Hari Gursida's research (2018) state that the inflation rate or interest rates have no effect on the performance of the Indonesian stock market.

Research by Mochamad Fahlevi (2019) found that foreign exchange rates and interest rates have a significant relationship in influencing stock prices. This is supported by research conducted by Syantia Olivia N. and Yuyun Isbanah (2019), which found that exchange rates have a negative effect on the composite stock price index in Indonesia. This occurred as a result of the depreciation of the rupiah, which raised the cost of imported raw materials, resulting in a decrease in company profits and a decrease in investor interest. In addition, research by Hari Gursida (2018) found that money supply affects stock prices in Indonesia, which is also supported by Dipendra Karki (2018) in his findings explaining that the money supply and real GDP of a country are important macroeconomic variables that affect stock market performance.

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The uncertainty of the results of previous research on macroeconomic factors such as inflation rates, interest rates, exchange rates, money supply, and GDP in influencing stock prices can occur due to differences in the economic conditions of the country at the time of the research period, where every year the country's economy will experience changes, improving or worsening.

Expansion fundamentally emerges because of tensions from the stockpile side (cost-push expansion) and request side (request pull expansion), as well as from expansion assumptions. Cost-push expansion can be brought about by conversion scale deterioration, inflationary effects from abroad, particularly exchanging accomplice nations, expansions in government-controlled product costs, and negative stockpile shocks coming about because of catastrophic events.

In 2022, Indonesia experienced inflation of 5.51%. According to the Head of the Central Bureau of Statistics, Margo Yuwono, the inflation that occurred in July 2022 was the highest inflation rate in the last seven years. This increase in inflation occurred in the transportation expenditure group, which was 15.25% with a share of 1.84%, followed by the food, beverage, and tobacco sectors at 5.83% with a share of 1.51%, and the information, communication, and financial services expenditure group, which experienced deflation of 0.36% with a share of 0.02%.

This inflation was initiated due to several factors that occurred throughout 2022. The scarcity of cooking oil at the beginning of the year, so that the government set a one-price cooking oil policy, as well as the increase in poultry fuel prices, which drove up the price of airline tickets, and the government's decision to raise fuel prices, contributed to the inflation rate this year.

In an effort to suppress the inflation rate, Bank Indonesia, which functions to maintain monetary stability, made the decision to raise the benchmark interest rate, BI-7 Days Reverse Repo Rate (BI7DRR), and BI has been raised five times by 200 points, reaching 5.5% by the end of 2022.

Based on the condition of the Indonesian economy in 2022 and the inconsistency of the results of previous researchers, the authors are encouraged to conduct this research by focusing on stocks listed in the LQ45 index on the Indonesia Stock Exchange (IDX).

1.3 Research Objective

In the following study, the dependent used is the stock price of the LQ45 index on the Indonesia Stock Exchange, and the independent considered is the inflation rate,

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interest rate, exchange rate, money supply, and GDP growth in Indonesia. So, the objectives of this study are as follows:

1. To determine whether changes in the inflation rate have an impact on the share price of the LQ45 index.
2. To determine whether changes in the interest rate have an impact on the price of LQ45 index stocks.
3. To determine whether changes in the exchange rate have an impact on the LQ45 index share price.
4. To determine whether changes in the money supply have an impact on the price of LQ45 index stocks
5. To determine whether changes in the level of GDP have an impact on the price of LQ45 index stocks

1.4 Research Question

Based on these objectives, the questions in the study are as follows:

1. How does inflation impact the IDXLQ45 share price?
2. How does interest rate impact the IDXLQ45 share price?
3. How does the exchange rate impact the IDXLQ45 share price?
4. How does the money supply impact the IDXLQ45 share price?
5. How does GDP impact the IDXLQ45 stock price?

1.5 Scope of study

The data used in this study are the stocks of the LQ-45 index of the Indonesia Stock Exchange. The LQ-45 index is a picture of the performance of 45 issuers that have been strictly selected both based on the assessment and liquidity carried out by the IDX, which considers market capitalization every six months, so that companies that have been listed in the LQ-45 have good growth prospects and financial conditions. LQ-45 has also been considered an index that has reflected the movement of actively traded stocks and has an influence on stock market conditions.

1.6 Significant of study

This research was conducted to answer the objectives of the research so that it can be used as literature. On the theoretical side, it will add knowledge to the development of economics and provide an overview to future researchers who conduct research related to the influence of macroeconomics on stock market performance or the share price of a company. On the investor side, it is hoped that they can take advantage of the

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findings contained in this study to make investing decisions by paying attention to macroeconomic conditions

1.7 Summary

In this section, the researcher has made sense of the foundation and peculiarities fundamental this exploration. This research aims to determine whether changes in macroeconomic factors have an impact on the Indonesian stock market. Indonesia saw a significant rise in inflation in 2022, which will undoubtedly raise the value of a number of other macroeconomic factors.

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Chapter V: Recommendation and Conclusion

5.1 Introduction

This is the last chapter of this study. The things that will be discussed in this chapter are: (1) an overview of the study; (2) research results; (3) the contribution of the study; (4) recommendations; and (5) a conclusion.

5.2 Overview study

The purpose of this research is to investigate how the Indonesian stock market is affected by macroeconomic factors like inflation, interest rates, exchange rates, the money supply, and economic growth rates expressed as a function of GDP. In addition, the LQ45 Index stock price is used to describe the state of the Indonesian stock market. This study asks five questions about how the LQ45 index stock price is affected by changes in the GDP level, interest rate, exchange rate, currency supply, and inflation rate.

As a result, the researcher gathered data on interest rates, exchange rates, and inflation rates from the Bank of Indonesia's website (https://bi.go.id), as well as data on money supply and gross domestic product from the Indonesian Central Statistics Agency's official website (https://bps.go.id), and LQ45 index stock price data from Yahoo Finance (https://finance.yahoo.com). The collected data span the years 2018–2022.

Based on chapters 3 and 4, the research was conducted with the help of SPSS version 26, and the results show that only CPI (X1), out of the five independent variables examined, has an impact on the price of the LQ45 Index stock; however, the interest rate (X2), exchange rate (X3), money supply (X4), and GDP (X5) all have significant values greater than 0.05, indicating that the four variables have no significant impact on variable Y, which is the price of the LQ45 Index. Likewise, this investigation likewise discovered that expansion (CPI), financing cost, and cash supply have a positive relationship with LQ45 Record stock costs, however running against the norm, swapping scale and Gross domestic product influence LQ45 File stock costs adversely.

5.3 Discussion of result

5.3.1 Impact of Inflation on LQ45 Index Stock price

The first hypothesis (H1), which is the question in this study, is "how does the inflation rate impact LQ45 index stock price?". Based on Chapter 4, which discusses the results of the study, it shows that the significant value of

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variable X1 (inflation) is 0.091 > 0.05. so H0 is accepted and H1 is rejected. This means that changes in the inflation rate do not significantly affect the stock price movements of the LQ45 Index.

The results of this study contradict The Efficient-Market Hypothesis and Random Walk theory, which states that stock prices move randomly and reflection depending on the information they receive. And in addition, the results of this study are also not in line with the study conducted by Charles Kwofie and Rhicard Kwame Ansah (2018), who found that inflation in the long term affects inflation negatively.

During 2018–2022, Indonesia had an average inflation rate of 3%; this value is included in the mild inflation category because it had an inflation rate of 10%. So, it can be concluded that a mild increase in the inflation rate does not affect investors' decisions to invest while still paying attention to other economic factors. This funding supports the results of previous research conducted by Satria Aji Setiawan (2020), Hari Gursida (2018), and Mochammad Fahlevi (2019) showing that inflation has no significant effect on the Indonesian Composite Stock Price Index.

The results of this study also found that there is a positive relationship between inflation and the LQ45 index stock price, which means that every 1% increase in the inflation rate will increase the value of the LQ45 Index stock price by 0.131, assuming the variable remains at a constant value.

5.3.2 Impact of Interest rate on LQ45 Index Stock Price

The second question analysed in this study is "How does interest rate impact the LQ45 Index stock price?". H2 of this study shows that interest rates have a significant effect on the LQ45 index price. The results of this study show that variable X2, or interest rates, has a significance value of 0.250 more than the significant value > 0.05. These results indicate that H2 is rejected and H0 is accepted.

Interest rates do not significantly affect stock price movements. this research is inversely proportional to the Efficient-Market Hypothesis (EMH), which should be that the price of assets (stocks) will immediately react to all information it receives.

Previous research conducted by Mochammad Fahlevi (2019) and Satria A.S. (2020) also found that the interest rate set by Bank Indonesia has a significant

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effect on the stock market. An increase in one interest rate will reduce the stock market price. But on this study shows that variable X2 has a unidirectional relationship, which means that if the interest rate increases by 1%, the LQ45 Index stock price will also increase by 0.070, assuming other independent variables are considered constant. This supports the theory put forward by Fisher (1930), which states that changes in interest rates may affect the stock market negatively or positively. High interest rate movements can affect the actions of investors, who will tend to shift their investments to the banking sector because it is considered more profitable.

5.3.3 Impact of Exchange rate on IDXLQ45 Price

The third hypothesis in this study is that the exchange rate in the study period, 2018–2022, affects the movement in the LQ45 index stock price. And based on the results of the study, it shows that the exchange rate significantly affects the stock price. This is evidenced by the significant value owned by variable X3, which is 0.004, where this value is smaller than the significance value of 0.05. So it is concluded that H0 is rejected and H3 is accepted. The exchange rate affects the LQ45 index share price negatively. The meaning of this negative relationship is that if there is an increase of 1% in the exchange rate, this will reduce the price value of the LQ45 index by 2.288.

The results of this study are in line with the Efficient-Market Hypothesis (EMH) and Random Walk, which state that stock prices will react to the information they receive. In addition, research conducted by Syantia O. Nelawatid and Yuyun Ishabanah (2019) also found a similar thing: that the exchange rate and JCI price have a negative relationship. This may occur due to the actions of investors. If there is an increase in the exchange rate or a decrease in the value of the rupiah, investors tend to sell their shares because they think the company will experience a decrease in income due to an increase in the cost of imported production materials or an increase in the cost of import-export activities.

5.3.4 Impact of Money Supply on LQ45 Index Stock Price.

The fifth question analysed in this study is "How does money supply impact the LQ45 Index price?". Based on the research results described in Chapter 4, it is known that variable X4, or money supply, does not affect the movement of the LQ45 index stock price. So this finding contradicts the random

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walk theory and also the efficient market theory, which states that market prices will react to any information they receive.

During the five-year period from 2018 to 2022, the amount of rupiah in circulation tends to increase every year, but it is different with the IDXLQ45 share price. During these five years, the LQ45 index share price showed a stable movement, even though it had decreased significantly in the first quarter of 2020. This was the impact of the entry of COVID-19 into Indonesia, which proves that the increase in the level of money supply does not affect stock performance.

Research by Syantia O.N. and Yuyun Ishbanah (2019) also stated a similar thing in their research entitled Composite Stock Price Index during the COVID-19 Pandemic at the Indonesian Stock Exchange. The money supply has no effect on stock prices. This could happen as a result of an increase in the currency supply being followed by an increase in interest rates. Then the incident causes investors to reduce their investment in the stock market and tend to buy deposit products to get more profit.

5.3.5 Impact of GDP on LQ45 index stock price.

The multiple regression analysis test results show that the LQ45 Index stock price movements are not influenced by changes in the GDP level. This is evidenced by the significant value generated by variable X5 or GDP, which is 0.257 greater than> 0.05, which means that H5 is rejected and H0 is accepted. This study agrees with the study conducted by Syantia O.N. and Yuyun Ishbanah (2019), which states that GDP does not affect JCI. However, this result contradicts the Efficient-Market Hypothesis theory, which argues that stock price movements are a reflection of the information it receives, as well as the Random Walk theory, which states that "stock prices fluctuate based on the information it receives".

In general, an increase in the level of GDP will encourage people to consume more goods and services, which will increase investment in the real sector. However, unfortunately, the increase in GDP during the study period did not affect investors' decisions to increase the value of their investments. This may be due to the uneven distribution of investment levels in other sectors, which is caused by other phenomena that occur and affect investors' decisions to hold

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their investments and tend to invest in sectors that are considered more profitable.

5.4 Contribution of Study

5.4.1 Body of Knowledge

This study has effectively finished its unbiased to evaluate how the effect of macroeconomic elements (expansion, loan costs, trade rates, cash supply, and Gross domestic product) influences stock costs. In addition, this study reveals that only one of the five observed macroeconomic variables, the exchange rate, has an impact on the performance of the LQ45 index stock price during the observation period of 2018–2022. The stock market's response to changes in macroeconomic variables has been the subject of similar research by previous researchers, and this finding is not significantly different. Thus, with this, it is trusted that this study can be utilized by the overall population or even understudies who research comparable things to become writing audit material or even increment per users information about the impact of macroeconomic variables on securities exchange execution.

5.4.2 Theory

The Efficient-Market Hypothesis is a hypothesis concept that assumes that asset prices in financial markets reflect all available information. This is also similar to the understanding of the Random Walk Theory, which states that overall stock price movements in the past cannot be used to predict future stock price changes. It can be concluded that stock prices change randomly or unpredictably, and they fluctuate based on the information they receive.

This study found that the Indonesian stock market, denoted by IDXLQ45, reacted negatively to changes that occurred in the decline in the value of the rupiah, and when reviewed further, these five independent variables also have a relationship with each other. Thus, it can be concluded that the findings of this study largely corroborate the notions of the two theories.

5.4.3 Practical

Since this study discusses how the stock market might react to changes in the rise and fall of macroeconomic variables such as the inflation rate, interest rate, exchange rate, money supply, and GDP, So, it is hoped that this study can help investors and companies that issue shares make or make decisions in their

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investment activities and help to understand more deeply how macroeconomic variables affect stock market performance.

5.5 Limitation of Study

In arranging this study, there are a few things that restrict it, as follows:

1. There are 21 different kinds of stock indices on the Indonesian stock exchange, but this study only looks at the LQ45 index.
2. The macroeconomic national conditions that are thought to influence stock market performance in Indonesia are the sole focus of this study.
3. Due to the fact that the LQ45 Index contains 45 businesses representing a variety of industries, the findings of this study cannot be applied to specific industries.

5.6 Recommendation for future research

Suggestions that can be given by researchers to future researchers based on the results of research and discussion in the previous chapter are (1) because this research only focuses on one composite stock price index, namely the LQ45 Index, these findings cannot be applied to stock performance on other stock indices or IPO stocks that are not included in the LQ45 Index, (2) besides that, This study only uses national macroeconomic variables in examining the influence on the performance of the Indonesian stock market, so for future researchers it is recommended to add or examine other macroeconomic variables, for example taking international macroeconomic phenomena such as the influence of the inflation rate of America or China which are countries that have a major influence on the world economy, and or such as the variable world oil prices, or others.

5.7 Conclusion

In general, it can be concluded that changes in exchange rates have a negative impact on stock price performance, as found by research examining the effects of inflation, interest rates, exchange rates, money supply, and interest rates on Indonesian stocks. Companies that engage in export activities will suffer as a result of receiving lower payments when the exchange rate rises or the rupiah's value decreases. Investors' decisions are also influenced by this, as they frequently sell their shares and shift their investments to profitable businesses or other investment vehicles.

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Appendix

- Company List

LIST OF COMPANY ON IDXLQ45					
1	ASTRO AGRO LESTARI	AALI	24	LIPPO KARAWACI	LPKR
2	ADHI KARYAA	ADHI	25	MATAHARI DEPARTMENT STORE	LPPF
3	ADARO ENERGY	ADRO	26	PP LONDON SUMATRA INDONESIA	LSIP
4	AKR CORPORINDO	AKRA	27	MEDIA NUSANTARA CITRA	MNCN
5	ANEKA TAMBANG (ANTAM)	ANTM	28	MATAHARI PUTRA PRIMA	MPPA
6	ASTRA INTERNASIONAL	ASII	29	HANSON INTERNATIONAL	MYRX
7	ALAM SUTERA REALTY	ASRI	30	PERUSAHAAN GAS NEGARA	PGAS
8	BANK CENTRAL ASIA	BBCA	31	TAMBANG BATUBARA BUKIT ASAM	PTBA
9	BANK NEGARA INDONESIA	BBNI	32	PEMBANGUNAN PERUMAHAN	PTPP
10	BANK RAKYAT INDONESIA	BBRI	33	PAKUWON JATI	PWON
11	BANK TABUNGAN NEGARA	BBTN	34	SURYA CITRA MEDIA	SCMA
12	BANK MANDIRI	BMRI	35	SILOAM INTERNATIONAL HOSPITAL	SSILO
13	GLOBAL MEDIACOM	BMTR	36	SEMEN INDONESIA	SMGR
14	BUMI SERPONG DAMAI	BSDE	37	SUMMARECON AGUNG	SMRA
15	CHAERON POKHAND INDONESIA	CPIN	38	SRI REJEKI ISMAN	SRIL
16	GUDANG GARAM	GGRM	39	SAWIT SUMBERMAS SARANA	SSMS
17	HM SAMPOERNA	HMSP	40	TOWER BERSAMA INFRASTRUCTURE	TBIG
18	INDOFOOD CBP SUKSES MAKMUR	ICBP	41	TELEKOMUNIKASI INDONESIA	TLKM
19	VALE INDONESIA	INCO	42	UNITED TRACTORS	UNTR
20	INDOFOOD SUKSES MAKMUR	INDF	43	UNILEVER INDONESIA	UNVR
21	INDOCEMENT TUNGGAL PRAKARSA	INTP	44	WIJAYA KARYA	WIKA
22	JASA MARGA	JSMR	45	WASKITA KARYA	WSKT
23	KALBE FARMA	KLBF			

- Presentation Slides

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BACKGROUND

- Stock Market is a place where owners of capital and those who need capital, meet and conduct trade transactions that can help in economic development and progress.
- Investment is the activities carried out by investors in allocating funds owned into an asset with the aim of obtaining gain/profit.
- Non-systematic Risk is risks stemming from the investor's financial condition and characteristics, are individualised.
- Systematic Risk is the risk resulting from changes in the level of macroeconomic variables (inflation, interest rates, exchange rates, economic growth, etc.).

HISTORY OF INDONESIA STOCK MARKET

1912 — The Batavia stock market was established by the Dutch colonials.

1914 - 1939 — The onset of World War I and II and the resulting recession in Indonesia

1945 — independence of Indonesia, and the Batavia stock market was closed.

1952 — The Indonesian government reopened the Batavia stock market.

1953 - 1976 — The Indonesian stock market is not growing.

1977 — The Indonesian stock market was officially reopened under the name Jakarta Stock Exchange (JKSE).

1977 - Now — currently there are 845 stocks listed on the Jakarta Stock Exchange.

PROBLEM STATEMENT

1. The Highest Inflation on 2022

Over the last 7 years, Indonesia has experienced the highest increase in inflation, 5.1% (Margo Yuwono, The Head of the Central Bureau of Statistics)

2. Goverment Policy

To suppress the inflation rate, the Bank of Indonesia (BI) raised the benchmark interest rate five times, reaching 5.5%.

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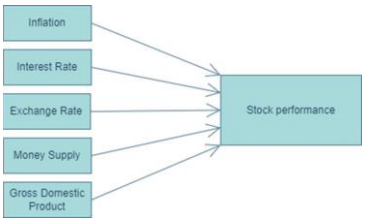
	RESEARCH QUESTION	RESEARCH OBJECTIVE
1	How does inflation impact the IDXLQ45 price ?	determine whether the inflation rate affects IDXLQ45 stock prices.
2	How does interest rate impact the IDXLQ45 price ?	determine whether the interest rate affects IDXLQ45 stock prices.
3	How does Exchange rate impact the IDXLQ45 price?	determine whether the exchange rate affects IDXLQ45 stock prices.
4	How does Money Supply impact the IDXLQ45 price?	determine whether the money supply affects IDXLQ45 stock prices.
5	How does GDP impact the IDXLQ45 price ?	determine whether the GDP rate affects IDXLQ45 stock prices.

FRAMEWORK & HYPOTHESIS



	Hypothesis
H1	Change in inflation rate influence IDXLQ45 Price
H2	Changes in Interest rates influence IDXLQ45 Price
H3	Changes in exchange rates influence IDXLQ45 Price
H4	Changes in money supply influence IDXLQ45 Price
H5	Changes in GDP influence IDXLQ45 Price

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RESEARCH METHODELOGY

Design Method

- The method used is multiple linear regression, and the classical assumption test is used as an error test in the model.
- Assisted with statistical applications; SPSS version 26

Measurement Data

- The variable data obtained is monthly data, so the data needs to be converted into quarters using the average value.

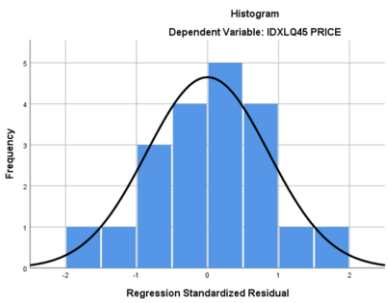
Data Collection

- The data taken is documentation data.
- Data taken in the form of inflation rates, interest rates, exchange rates, money supply, GDP, LQ45 Index Share Price during 2018–2022

Data sources

- IDXLQ45 stock price data was obtained from Yahoo Finance.
- Inflation and GDP data are from the official website of the Indonesian Central Bureau of Statistics.
- Interest Rate, Exchange Rate, and Money Supply data from the official website of Bank Indonesia

NORMALITY TEST



- The histogram results in a hill-like curve.
- Kolmogrov-Smirnov result asym.sig (2-tailed) value 0.200 > 0.05
- The model is normally distributed.

MULTICOLINEARITY TEST

	Tolerance	VIF
(Constant)		
CPI	0.700	1.428
INTEREST RATE	0.562	1.779
EXCHANGE RATE	0.661	1.513
MONEY SUPPLY	0.932	1.073
GDP	0.612	1.633

-10 < VIF value < 10

HETEROSCEDASTICITY TEST

	Sig.
(Constant)	
CPI	0.110
INTEREST RATE	0.723
EXCHANGE RATE	0.290
MONEY SUPPLY	0.544
GDP	0.411

Significant value > 0.05

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AUTOCORRELATION TEST

Runs Test	Unstandardized Residual
Test Value[a]	-0.00238
Cases < Test Value	10
Cases >= Test Value	10
Total Cases	20
Number of Runs	10
Z	-0.230
Asymp. Sig. (2-tailed)	**0.818**

- asymp. Sig. (2-tailed) is 0.818, the value is greater than 0.05.
- There are no symptoms of autocorrelation.

MULTIPLE REGRESSION TEST

Variable	Coefficients	t-statistic	Sig.
Constant	0.022	-	-
CPI	0.131	1.818	0.091
INTEREST RATE	0.192	1.200	0.250
EXCHANGE RATE	- 2.288	- 3.477	0.004
MONEY SUPPLY	0.360	0.424	0.678
GDP	- 0.604	- 1.181	0.257
F test	2.833		
R Square	0.503		

*DP = IDXLQ45 PRICE

DISCUSSION OF FUNDINGS

Hypothesis	Sig.	p < 0.005	p > 0.005
H1 : Change in inflation rate influence the IDXLQ45 price	0.091		Rejected
H2 : Change in interest rate influence the IDXLQ45 price	0.250		Rejected
H3 : Change in exchange rate influence the IDXLQ45 price	0.004	Accepted	
H4 : Change in money supply influence the IDXLQ45	0.678		Rejected
H2 : Change in GDP influence the IDXLQ45	0.257		Rejected

- The results found that of the five hypotheses proposed, only hypothesis 3 was accepted. The exchange rate has a significant effect on the IDXLQ45 price (0.004 < 0.005).
- Inflation, interest rates, and the money supply have a positive relationship.
- The exchange rate and GDP are negatively related.

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LIMITATION

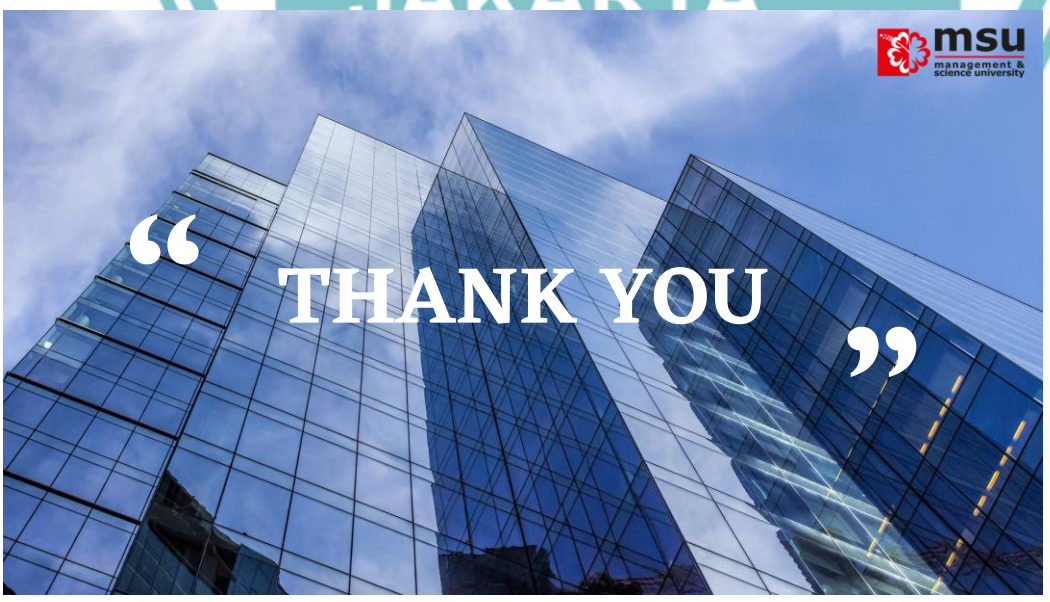
- This research only focuses on the LQ45 index.
- The variables that use only macroeconomic problems that happened in Indonesia
- The result of this study can not be implemented in a specialised sector.

RECOMMENDATION

It is recommended that future researchers add research objects and/or other macroeconomic variables. Because this research only focuses on domestic phenomena and on one stock price index.

CONCLUSION

This study aims to assess the impact of changes in macroeconomic factors on the Indonesian stock market. Good stock market performance helps the pace of Indonesia's economic growth. The results of this study show that most macroeconomic variables do not affect IDXLQ45 prices positively. The exchange rate significantly affects stock prices negatively, which is consistent with random-walk theory and the Efficient-Market Hypothesis, which states that stock prices move in accordance with the information received.



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