

ANALYSIS OF THE EFFECT OF FOREIGN STOCK PRICE INDEX ON IDX COMPOSITE IN INDONESIA STOCK EXCHANGE

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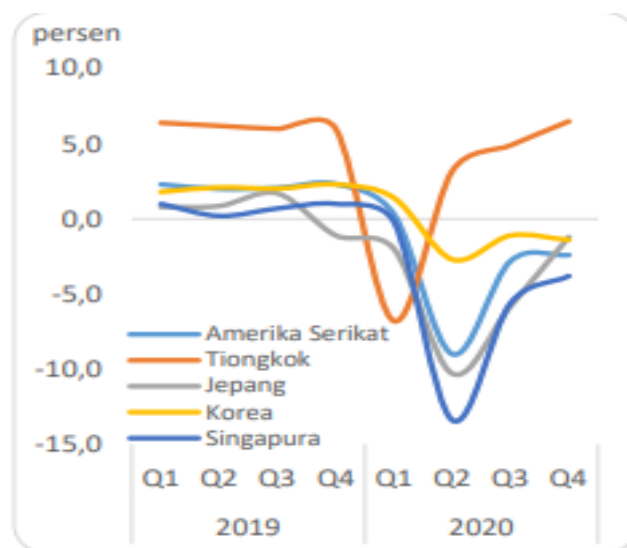
ABSTRACT

The purpose of this study is to analyze the effect of several indices foreign stocks and Indonesian indicators on capital market conditions Indonesia (JCI). Several foreign stock indices used in research These are the Dow Jones index, the Shanghai index (SSE), the Singapore index (STI), methodology this research used multiple regression analysis and whose data were taken monthly from January 2018 to August 2020. The United States and Singapore indices have a significant effect on the JCI Dow Jones stock index, index Shanghai shares, Straits Times index rates simultaneously Significant impact on JCI with an adjusted R² value of 0.749.

Keyword: IHSG, DJIA, SSEC, STI

INTRODUCTION

The health crisis due to the Covid-19 pandemic is not unavoidably exerts tremendous pressure common to the national economy. At stage early, Covid-19 triggers uncertainty in the market the world's global finances and impact on the flow The decline in foreign capital inflows into Indonesia and a depreciating Rupiah. The pressure continues on the decline in economic activity due to exports and a declining world economy. Pressure is also an implication of the PSBB policy and health protocols that reduce mobility people, goods and services. As a result, activities economy in various sectors declined sharply, which, if not handled and responded to by will soon be able to reduce growth economy, increase unemployment, and expand poverty. Economic growth which continues to decline is also a concern because if it continues it can disrupt stability economy, including financial system stability. Total Covid-19 cases worldwide until the end of December 2020 reach 83.5 million cases. On the positive side, the spread of the Covid-19 virus is increasing controlled by increasing daily cases slow down. However, at the end December 2020, Although vaccines are available, however controlling the spread of Covid-19 is still the main key in recovery process. Control that good will boost the economy run more stable without worries lock down again. In the fourth quarter 2020, global economy showing improvement though mostly still contracted.



Sumber: CEIC

United States Economy contracted 2.4 percent (YoY) on the fourth quarter of 2020, even better compared to the previous quarter which contracted 2.8 percent (YoY). Public spending still contracted 2.6 percent (YoY), caused by a decrease in consumption services by 6.8 percent (YoY). Meanwhile, the consumption of goods grew 6.8 percent (YoY), slower compared to the previous quarter (7.2 percent, YoY). Domestic investment in the fourth quarter in 2020 grew by 3.5 percent (YoY), improved after the quarter previously contracted 3.4 percent (YoY). Contractions still occur in non-resident investment in the sector, structures by 14.5 percent (YoY). Overall, investment contraction retained by the resident investment who grew to 13.7 percent (YoY). Export performance contracted by 11.0 percent (YoY), better than contracted previous quarter up to 14.6 percent (YoY). The occurred in the export of services is still high, reached 24.1 percent (YoY). Similar thing occurred in the performance of service imports which down 24.1 percent compared to the same period in 2019. By Overall, United States imports contracted 0.6 percent (YoY), which is far better than quarter previously contracted 8.6 percent (YoY). South Korea is in contraction economy in the fourth quarter of 2020 by 1.4 percent (YoY), deeper compared to the previous quarter (- 1.1 percent, YoY). Public consumption contracted deeper from -4.4 percent in the third quarter to -6.6 percent (YoY) in the fourth quarter of the year 2020. While government consumption growth slowed by 2.3 percent (YoY). Investment grew positively by 1.2 percent (YoY), driven by increased investment in the sector wealth facilities and products intellectual. While sector investment construction is still down 2.5 percent (YoY). This is in line with performance manufacturing sector which is still contracted 2.8 percent (YoY). Japan is experiencing contraction again in the fourth quarter of 2020, namely

by 1.2 percent (YoY). Contraction it is smaller than contracted previous quarter 5.8 percent (YoY), but deeper compared to the same period of the year 2019. The performance was caused by weak domestic demand contracted 1.2 percent (YoY). Singapore is experiencing again contraction in the fourth quarter of 2020 was 3.8 percent (YoY). However, smaller contractions

compared to the previous quarter which is 5.6 percent (YoY). The improvements were driven by

improvement of the performance of the goods industry and less contraction in industry service.

The United States (US) stock market or Wall Street weakened on Tuesday, September 7, 2021. This occurred amid investor concerns about the impact of the COVID-19 delta variant on the reopening of the economy. At the close of Wall Street trading, the Dow Jones index slipped 269.09 points to 35,100, boosted by Boeing shares, which fell 1.8 percent. The S&P 500 index fell 0.3 percent to 4,520.03. The Nasdaq index rose less than 0.1 percent to 15,374.33. economic outlook as the COVID-19 delta variant and fiscal stimulus fade. Goldman now sees 5.7 percent annual growth in 2021 below the consensus 6.2 percent. The company cut its outlook for gross domestic product (GDP) in the fourth quarter of 2021 to 5.5 percent, down from 6.5 percent. Boeing shares fell after the Wall Street Journal reported deliveries for the 787 Dreamliner may be delayed. PPG Industries, a paint maker, warned sales may fail this quarter due to logistics problems and higher commodity costs. PPG Industries shares fell nearly 3.4 percent. Drug stocks including Johnson and Johnson, Merck and Amgen fell after Morgan Stanley downgraded all three stocks. The S&P 500 index fell 0.06 percent in September, a month that has historically challenged markets. The average this month was down 0.6 percent. In regular trading this Friday, the Dow Jones and S&P 500 indexes fell after the August jobs report was below expectations, highlighting continued concerns about the spread of COVID-19 and the delta variant. The United States (US) stock market or Wall Street was mixed on Monday, August 30, 2021. The S&P 500 index hit another record high at the start of the week as stocks continued to rise in the last days of August 2021. At the close of Wall Street, the S&P 500 index rose 0.43 percent to 4,528.79. The Nasdaq index added 0.90 percent to 15,265.89. The Dow Jones index fell 0.16 percent to 35,399.84. Technology stocks led the gains earlier this week. Shares of Microsoft and Netflix each rose 1.3 percent and Apple jumped 3 percent. Affirm Holdings shares jumped more than 46 percent after the company announced a partnership with Amazon on Friday, August 27, 2021. Amazon shares rose two percent.

LITERATURE REVIEW

Capital Market

According to [1], the understanding of the capital market is a place for where various parties, especially companies sell stocks and bonds (bond) with the aim that the proceeds from the sale will be used later as additional funds or strengthen the company's capital. According to [2] the capital market is the place where long-term financial asset transactions. Type Securities traded in the capital market have more maturity than one year.

According to [3], the benefits of the capital market are as follows:

1. Provide a source of long-term financing for the business world.
2. Provide an investment vehicle for investors while at the same time enabling diversification efforts.
3. Dissemination of company ownership to all levels of society medium.
4. Spread openness, professionalism, and create a climate healthy endeavor.
5. Provide the opportunity to have a healthy company and have prospects.
6. As an alternative investment that provides profit potential by risk that can be calculated through openness, liquidity and diversification.

According to [4] regarding the capital market as a goal investments are as follows:

“The capital market can encourage the creation of an efficient allocation of funds, because with the capital market, investors can choose alternatives investment that

provides the most optimal return. The assumption is, Investments that provide relatively large returns are sectors that most productive on the market. Thus, the funds originating from investors can be used productively by these companies.

IDX Composite

[5]: "The Composite Stock Price Index is a stock price index number that has been compiled and calculated by generating a trend, where the index number is a number that is processed in such a way that it can be used to compare events that can be changes in stock prices from time to time. to time."

[6]"The JCI is an index for all shares traded on the IDX, which reflects the trend of movement and the average value of all shares of issuers in Indonesia.

Composite Stock Price Index Function :

1. To measure the growth performance of the stock market in Indonesia. The higher the value, it will indicate that the average price of the stock is increasing and the greater the Market Cap.

2. To find out the overall direction of stock trading movements on the Indonesia Stock Exchange. By knowing the movement, whether it is in a downtrend or an uptrend, then we can find out whether market conditions are sluggish or not.

3. As a basis for consideration for stock traders to make transaction decisions, whether to buy or sell the shares they hold. Why? Because, as mentioned above, liquid stocks are generally very affected by JCI movements.

4. As a benchmark for the performance of a trader's portfolio. That is, for people who play stocks, they can assess the extent of their investment performance when compared to the JCI. If, for example, the JCI has gone up 15% in the last year while the portfolio is 20% in a year, then it means that the investment performance is better. However, if it turns out to be lower than the JCI, it means that his stock trading yield is inferior to the JCI and he has to renew his stock selection strategy the following year.

Dow Jones Industrial Index Average

Market index America's oldest stock. This index used to measure performance industrial components in the stock market United States of America. This stock exchange consists of of the 30 largest companies in America Union that has been widely go public.

[7] says with The increase in the Dow Jones index means that United States economic performance get better. As one of the Indonesia's export destination countries, United States economic growth can promote economic growth Indonesian noodles through export activities as well as capital inflows are good direct investment through the capital market.

Shanghai Stock Exchange Composite Index (SSEC)

with the economic conditions established in the world. China and relations Indonesia is also growing with the ASEAN-China Free Underlying Trade Agreement the liberalization of trade in between ASEAN countries, including Indonesia, with China. Enhancement international trade activity in the two countries are expected able to bring fresh air to international investment activities between Indonesia and China.

Straits Times Index (STI)

Straits Times Index is an index stock market by capitalization in Singapore Stock Exchange. Straits Times This index is used to record and monitor daily changes from 30 largest company in stock market Singapore and as a leading indicator of market performance in Singapore. Straits Times Index was founded on 10 January 2008 as a continuation of Straits Times Industrial Index.

METODOLOGY RESEARCH

This research is research causal relationship, where the research Done to get the facts of existing phenomena and looking Factual information about influence of dow stock index movements Jones, Shanghai, Straits Times the movement of JCI. Type of data What is used is secondary data. with a period of January 2018 until August 2020, the research model using multiple linear regression and data analysis techniques using qualitative and quantitative descriptive data. Data analysis techniques used It is a descriptive analysis technique and Inferential analysis techniques with Use some test tools such as: Classic Assumption Test Hypothesis Test, Test-F ,Test-t, Coefficient Test Determination (R²).

RESEARCH RESULTS AND DISCUSSION

Descriptive statistics

The data presented in descriptive statistics is usually in the form of sizes. data concentration [8]. According to [8] research methods can be interpreted as Scientific ways to obtain data with purpose and usefulness Certain knowledge is developed and proven to be a certain knowledge. so that in turn it can be used to understand, Solve and anticipate problems. Dependent variables used It's JCI. While variables Its independent is the Dow Index. Jones, Shanghai index and Straits Times index . Results of statistical analysis data descriptive that has been processed shown in the following table :

Table 1

Statistic Descriptive					
	N	Minmum	Maximum	Mean	Std. Deviation
IHSG	32	4.081	6.519	5.91823	.234530
DJIA	32	11.214	18.948	17.8242	2.124011
SSEC	32	2.314	4.512	3.1942	.810231
STI	32	3.754	5.753	4.0231	.219320
Valid N (List wise)	32				

In Table 1. Stock Price Index Combined with the number of observations For 32 months starting from January 2018 to August 2020, viewed The lowest value of JCI is 4,081 which occurred in August 2018, while the highest value of JCI That's 6,519 that happened in the month. The average value of JCI is 5,918 with standard deviation 0.2345. Standard deviation value of each of the stock price indexes studied It's a

measure to measure. dispersion or dissemination of data. The Dow Jones index It is an index that represents new York Stock Exchange, from Table 1 number of observations for 32 The month starts from January of the year. It can be seen that the average value The Dow Jones index is as large as 17.8242 , Descriptive statistical results show the average value of stock indices Shanghai was 2,619.09. The lowest value is 2,314. While the highest value is 4.512 Standard deviation value of shares Shanghai is 0.8102, this means during the observation period, Shanghai stock index fluctuates Pretty sharp. The Straits Times stock index is an index representing the country. Singapore. Index average Straits Times is 4,0231, where the lowest value is 2,927 and the highest value is 5.753. Standard value deviation of index Straits Times is 0.125815.

Result Multiple Regression Analysis

The analysis in this study uses multiple regression analysis to determine the effect of the independent variables, DJIA,SSEC and STI Composite Stock Price Index. The regression equation results are asfollows:

Table 2

Result Multiple Regression Analysis

Variable	Coefficients	Prob.	Results
C	-.201	.0025	
DJIA	.302	.0140	Accepted
SSEC	.216	.0810	Rejected
STI	1.045	.0021	Accepted

In table 1.2 of the regression equation It can be described as follows:

$$Y = -0,201 + 0,302DJIA+ 0,216SSEC + 1,045STI$$

Variables of American stock indexes (DJIA) Probability (0.0140) < 0.05, meaning variables American stock index is an explanation of dependent variables Significant positive effect. Variables of China Stock Index (SSEC) probability (0.081) > 0.05, meaning variable China's stock indexes are an explanation insignificant dependent variables and positive influence. Probability exchange rate variable (0.002) < 0.05, meaning that the exchange rate variable is an explanation of the dependent variables Significant positive effect.

Table 3

F Statistics

F statistics	29.2141
Prob. (F statistics)	0.0000

Based on table 1.3, the f value of 29.2141 is obtained with an F-statistic probability value of 0.00000 then can It was concluded that simultaneously dow jones index variables, SSEC, STI, variable. significant to JCI. Coefficient of Determination (R²)Measure how far the model's capabilities are.in explaining the variation of the dependent variabe. Value R² The small means ability of independent variables in describes the highly dependent variable limited. Showing that the value adjusted R square is 0.614. This shows that the variationIndependent variables in research This

explains 61.4% of the variation. dependent variables, so the model is good. While the rest is as big as 38.6% described by other variables outside of independent variables.

Conclusion

Dow Jones stock index, index Shanghai shares, Straits Times index rates simultaneously Significant impact on JCI with an adjusted R2 value of 0.749. Dow Jones stock index variables,

Shanghai stock index, Straits index Times get Used as a reference before Make an investment decision. The rise and fall of JCI can be used as an indicator of economic conditions In Indonesia and the movement JCI will affect the attitude of the investors will buy, hold or sell the shares.

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