

THE IMPACT OF OIL PRICE SHOCKS, INFLATION RATE, EXCHANGE RATE, AND INDUSTRIAL PRODUCTION INDEX ON STOCK MARKET RETURNS IN INDONESIA

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This research is aimed to acknowledge the impact of drastic changes world crude oil prices (Brent oil) and macroeconomic variables on stock market returns in Indonesia during period 2013 – 2023. The study was conducted based on previous research which related to stock return and macroeconomic variables that are affected by shocks of brent crude oil prices. In this research, the author used SVAR (Structural Vector Regression) method to see the effect of shocks from Brent crude oil prices on dependent variable. In order to determine the duration and of the shocks and visualize them, the author employs the variance decomposition and impulse response method.

The stock return is represented by the Indonesia Composite Stock Price Index (IHSG), while the macroeconomic variables are represented by three variables: inflation rate, exchange rate (Indonesian Rupiah against the US Dollar), and industrial production index. The findings of this research indicate that oil price shocks significantly positively influence stock market returns, whereas the macroeconomic variables (inflation rate, exchange rate, and industrial production index) negatively affect stock market returns in Indonesia.

Keywords: World crude oil prices (Brent oil), Oil Price Shocks, Indonesia Composite Stock Price Index (IHSG), Inflation Rate, Exchange Rate, Industrial Production Index.

