



TABLE OF CONTENTS

| | |
|--|------|
| PREFACE | iv |
| TABLE OF CONTENTS..... | vi |
| ABSTRACT | viii |
| CHAPTER I INTRODUCTION | 1 |
| 1.1 Background | 1 |
| 1.2 Problem | 7 |
| 1.3 Research Objectives | 7 |
| 1.4 Research Benefits | 8 |
| 1.5 Research Scope..... | 8 |
| 1.6 Research Structure..... | 9 |
| CHAPTER II LITERATURE REVIEWS | 10 |
| 2.1 Stock Return | 10 |
| 2.1.1 Composite Stock Price Index (IHSG)..... | 11 |
| 2.2 World Crude Oil..... | 12 |
| 2.2.1 Brent Oil | 13 |
| 2.2.2 Oil Price Shocks..... | 14 |
| 2.3 Macroeconomic Variables..... | 16 |
| 2.3.1 Inflation..... | 16 |
| 2.3.2 Exchange Rate | 18 |
| 2.3.3 Industrial Production Index | 19 |
| 2.4 Summary of Previous Research..... | 19 |
| 2.5 Hypothesis Development | 23 |
| 2.5.1 The Impact of Oil Price Shocks on Stock Market Returns..... | 23 |
| 2.5.2 The Influence of Inflation Rate on Stock Market Returns..... | 24 |
| 2.5.3 The Influence of Exchange Rate on Stock Market Returns..... | 25 |
| 2.5.4 The Influence of Industrial Production Index on Stock Market Returns | 26 |
| 2.6 Research Model | 26 |



| | |
|--|----|
| CHAPTER III RESEARCH METHODOLOGY | 28 |
| 3.1 Research Data..... | 28 |
| 3.1.1 Data Types | 28 |
| 3.1.2 Data Collection Method..... | 28 |
| 3.1.3 Research Sampling Method..... | 28 |
| 3.2 Research Operational Variables | 29 |
| 3.2.1 Independent Variables | 29 |
| 3.2.2 Dependent Variables..... | 32 |
| 3.3 Research Analysis Method..... | 32 |
| 3.3.1 Pre-Estimation Testing | 33 |
| 3.3.2 Stability Test..... | 35 |
| 3.3.3 Estimation of the Structural VAR (SVAR) Model..... | 35 |
| 3.3.4 Impulse Response Function | 37 |
| 3.3.5 Variance Decomposition..... | 38 |
| CHAPTER IV ANALYSIS AND DISCUSSION | 39 |
| 4.1 Pre-Estimation Testing | 39 |
| 4.1.1 Data Stationarity Test | 39 |
| 4.1.2 Determining the Optimal Lag | 40 |
| 4.2 Stability Test..... | 42 |
| 4.3 Impulse Response Function..... | 43 |
| 4.4 Variance Decomposition | 47 |
| CHAPTER V CONCLUSIONS AND RECOMMENDATIONS | 50 |
| 5.1 Conclusions | 50 |
| 5.2 Limitations and Future Research Directions | 50 |
| 5.3 Recommendations | 51 |
| BIBLIOGRAPHY | 53 |