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The Impact of the Rupiah Exchange Rate, Interest Rates, Inflation, Global Oil Prices, and the Dow Jones Index on the JCI

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Abstract

The IHSG is one of the important indicators for investors in making investment decisions. By observing the IHSG, investors can gain a comprehensive overview of the condition and trends of the stock market. By monitoring the IHSG, investors can analyze market potential, risks, and apply appropriate mitigation strategies to prevent negative impacts on their portfolios. This study aims to identify and analyze, as well as obtain empirical evidence of the influence of the rupiah exchange rate, interest rates, world oil price inflation, and the Dow Jones Index on the IHSG both partially and simultaneously. The population of the study consists of data on the rupiah exchange rate, interest rates, world oil price inflation, the Dow Jones Index, and the IHSG from 2019 to 2022. The analytical tool used in this study is multiple linear regression. The results of the study show that the rupiah exchange rate has a negative effect on the IHSG, while interest rates, world oil price inflation, and the Dow Jones Index have a positive effect on the IHSG. Simultaneously, all variables influence the IHSG. The overall influence of all variables on the IHSG is 91.7%.

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1. Introduction

The capital market has experienced rapid growth and has become a primary avenue for individuals seeking to invest their funds, explore potential profits, and access a variety of investment instruments. This phenomenon is evident in the substantial increase in the number of stock market investors, reflecting a growing public interest in capital market investments.

According to data from KSEI, the number of stock investors rose from 1,695,268 in 2020 to 3,451,513 in 2021, marking an increase of 103.60%. By the end of 2022, the number had further grown to 4,439,933, a rise of 28.64% (KSEI, 2023). The capital market offers various investment instruments, but stocks are more in demand compared to other options. Stock investment offers the potential for substantial profits, but these opportunities are accompanied by significant risks. As a result, investors need to approach stock investing with caution, conducting thorough research and diversifying their portfolios to minimize potential losses.

The Jakarta Composite Index (JCI) is a crucial indicator for investors when making stock investment decisions. By monitoring the JCI, investors can gain a comprehensive view of overall market conditions and trends, which aids in crafting effective investment strategies (Herlianto & Hafizh, 2020). This is because the JCI serves as a barometer of the overall market environment, reflecting the collective performance of listed companies and signaling broader economic sentiments. Significant fluctuations in the Jakarta Composite Index (JCI) can serve as indicators of underlying economic conditions and the sentiment of both local and foreign investors. By closely monitoring the JCI, investors can identify potential risks and implement mitigation strategies to protect their portfolios from negative impacts (Yulianti & Komara, 2020).

The movement of the Jakarta Composite Index (JCI) is significantly influenced by factors such as domestic macroeconomic conditions, the global economic landscape, and the dynamics of international capital markets. Although the impact of macroeconomic changes on a company's performance is typically gradual, stock prices often react swiftly to these changes. This immediate

response, in turn, influences the JCI, as the index mirrors the overall sentiment of the stock market.

Local macroeconomic conditions that impact the movement of the Jakarta Composite Index (JCI) include the Rupiah exchange rate, interest rates, and inflation. The exchange rate of the Rupiah against the United States dollar has a particularly significant effect on the JCI. A strengthening dollar often signals deteriorating economic conditions, prompting investors to reconsider their fund placements. This reevaluation can lead to a decline in the JCI (Febriyanti & Delfiani, 2023). Conversely, when the Rupiah strengthens against the United States dollar, it generates positive market sentiment, leading to a rise in the JCI. This appreciation of the Rupiah boosts investor confidence in economic stability, encouraging them to increase their investments in the domestic stock market. As a result, the JCI experiences an upward movement. Previous research by Alvian et al. (2019), Febriyanti & Delfiani (2023), Wismantara & Darmayanti (2017), Hanoeboen (2017), and Paryudi et al. (2021) demonstrated a significant influence of the Rupiah exchange rate on the JCI. However, studies by Liantanu et al. (2023) and Sutandi et al. (2020) did not find a correlation between the Rupiah exchange rate and the JCI.

In addition to the Rupiah exchange rate, another macroeconomic factor that influences the Jakarta Composite Index (JCI) is the Bank Indonesia interest rate, commonly referred to as the BI rate. Theoretically, a higher interest rate set by the central bank will lead to a decline in the JCI. This is because an increase in the BI rate raises the cost of capital borne by companies due to higher interest rates. This increase can reduce company profits and elevate investment risks, prompting investors to opt for other investment alternatives such as deposits, which carry very low risk and offer guaranteed returns in the future (Paryudi et al., 2021). Previous research conducted by Wismantara & Darmayanti (2017) and Alvian et al. (2019) found a significant influence of interest rates on the JCI, while studies by Liantanu et al. (2023), Paryudi et al. (2021), and Febriyanti & Delfiani (2023) did not find any impact of interest rates on the JCI.

Another factor that influences the Jakarta Composite Index (JCI) is the inflation rate. Inflation is a macroeconomic variable that reflects the general increase in prices over a certain period. A higher inflation rate during a given period indicates poor economic conditions for that period. Inflation tends to increase the production costs for companies, resulting in lower profit margins. The subsequent impact of this is a decline in stock prices on the exchange. If many companies in the capital market experience this, the performance of the JCI will also decline (Wismantara & Darmayanti, 2017). Research conducted by Wismantara & Darmayanti (2017), Sri Rahayu & Diatmika (2023), and Alvian et al. (2019) showed the influence of inflation on the JCI, while studies by Hanoeboen (2017), Paryudi et al. (2021), and Liantanu et al. (2023) did not find any impact of inflation on the JCI.

Besides local macroeconomic conditions, global macroeconomic factors also impact the Jakarta Composite Index (JCI). One such factor is the movement in global oil prices. Oil is a significant commodity for national economies, so changes in global oil prices can affect the capital markets of a country (Beureukat & Andriani, 2021). For oil-exporting countries and companies in the mining sector, rising global oil prices can be advantageous as they attract investor interest. However, for companies outside the mining sector, this can lead to losses due to increased operational costs, which in turn can decrease stock prices. An aggregate decline in stock prices results in a lower JCI. Research by Beureukat & Andriani (2021), Sri Rahayu & Diatmika (2023), and Hanoeboen (2017) found an impact of global oil prices on the JCI, while studies by Dewi (2020), Ahmad (2021), and Anggriana & Paramita (2020) did not find any effect of global oil prices on the JCI.

The movement of the Jakarta Composite Index (JCI) on the Indonesia Stock Exchange is closely linked to the movements of global stock indices. Advanced countries with strong economies also reflect this strength in their stock indices. A country's stock index serves as a reflection of its current economic conditions. A decline in a country's stock index indicates worsening economic conditions in that country (Sri Rahayu & Diatmika, 2023). The interconnection between stock exchanges, represented by the relationships between stock indices, can occur because investors use the movement of stock indices in other exchanges as part of their investment decision-making process. The Dow Jones Industrial Average (DJIA) is one of the oldest and still active performance indices in the United States, and it is believed to influence the JCI because the U.S. economy continues to have a significant impact on countries worldwide,

including Indonesia (Herlianto & Hafizh, 2020). Research by Beureukat & Andriani (2021), Herlianto & Hafizh (2020), Utama & Artini (2015), and Shelly Midesia (2022) found an influence of the Dow Jones Index on the JCI, while studies by Chandrawinata & Handoyo (2022) and Sri Rahayu & Diatmika (2023) did not find an effect of the Dow Jones Index on the JCI.

This study builds upon previous research conducted by Wismantara & Darmayanti (2017) titled 'The Influence of Exchange Rates, Interest Rates, and Inflation on the Jakarta Composite Index on the Indonesia Stock Exchange.' The previous researchers suggested that future studies should expand the research by adding more variables. In this study, the researcher has included additional variables such as global oil prices and the Dow Jones Index. This addition is due to the fact that the stock market conditions of a country cannot be separated from global economic conditions and stock indices of other countries, especially those with strong economies like the United States. This study aims to analyze and obtain empirical evidence on the influence of the Rupiah Exchange Rate, Interest Rates, Inflation, Global Oil Prices, and the Dow Jones Index on the JCI, both partially and simultaneously, and to determine the extent of the impact of these variables on the JCI.

The grand theory applied in this study is signaling theory. This theory explains that companies send signals to external parties by presenting financial information. Companies are motivated to share information due to information asymmetry between the company and external parties, such as investors and creditors, who have limited knowledge about the current condition and future prospects of the company compared to the company itself (Andayani et al., 2021).

The Jakarta Composite Index (JCI) is an index that reflects the movement of both common and preferred stock prices. The JCI is used as an indicator of the combined performance of all stocks listed on a particular stock exchange (Febriyanti & Delfiani, 2023). JCI data is obtained from the website finance.yahoo.com.

Exchange rates are the relative comparison between a country's currency and a foreign currency. Exchange rates can also be understood as the price level at which goods from one country can be traded for goods from another country (Febriyanti & Delfiani, 2023). When the exchange rate increases, it means the domestic currency (Rupiah) is depreciating or weakening against the foreign currency. Conversely, when the exchange rate decreases, it means the domestic currency (Rupiah) is appreciating or strengthening against the foreign currency (Simorangkir & Suseno, 2014). Data on the Rupiah exchange rate is measured against the US dollar (USD) and is obtained from the Bank Indonesia website.

Interest rates are the costs incurred to obtain a loan. The interest rate is calculated as a percentage of the principal amount per unit of time. Essentially, interest is a measure of the cost of using someone else's resources that the borrower must pay to the lender. The unit of time is typically measured in years (one year of investment) or can be shorter than a year (Wismantara & Darmayanti, 2017). Data on interest rates is obtained from the Bank Indonesia website.

Inflation is a condition where the prices of goods and services continuously and comprehensively rise (Wismantara & Darmayanti, 2017). A price increase in just one or two items is not sufficient to be considered inflation. Inflation occurs when the rise in prices spreads and affects the prices of other goods. To monitor this condition, inflation data can be obtained from the Bank Indonesia website.

Global crude oil prices are measured based on spot prices in the global oil market. Generally, the two most commonly used benchmarks are West Texas Intermediate (WTI) and Brent. WTI, traded in Texas, United States, is high- quality crude oil with light characteristics and low sulfur content (Beureukat & Andriani, 2021). Inflation data is obtained from the website Id.Investing.com.

The Dow Jones Industrial Average (DJIA) is the oldest and still active stock index in the United States. It consists of 30 major publicly traded companies from various industrial sectors. Initially, the DJIA included only companies from the agriculture, livestock, and heavy industry sectors. However, over time, the index has expanded to include companies from other

sectors such as technology, entertainment, telecommunications, retail, and more. Companies listed on the DJIA are generally 'blue chip' firms that are market leaders in their respective sectors (Beureukat & Andriani, 2021). Data on the Dow Jones Index (DJIA) is obtained from the website Finance.yahoo.com.

The Influence of the Rupiah Exchange Rate on the Jakarta Composite Index (JCI)

Strengthening of the Dollar Reflects Deteriorating Economic Conditions An appreciating dollar reflects worsening economic conditions. As a result, investors tend to reconsider their investments, which eventually leads to a decline in the Jakarta Composite Index (JCI) (Febriyanti & Delfiani, 2023). Conversely, an appreciation of the Rupiah against the US Dollar will energize the market due to positive sentiment surrounding the Rupiah's strength, which impacts the strengthening of the JCI as investors feel more confident about economic stability. This encourages them to increase their investments in the domestic stock market, ultimately driving the JCI up. Previous research by Alvian et al. (2019), Febriyanti & Delfiani (2023), Wismantara & Darmayanti (2017), and Hanoeboen (2017), as well as Paryudi et al. (2021), has shown the impact of the Rupiah exchange rate on the JCI. Based on this explanation, the hypothesis proposed in this study is:

H1: The Rupiah exchange rate has an effect on the Jakarta Composite Index (JCI).

The Influence of Interest Rates on the Jakarta Composite Index (JCI)

Theoretically, higher interest rates set by the central bank will decrease the JCI. This is because an increase in the BI Rate leads to higher capital costs for companies due to higher interest rates. This increase can reduce corporate profits and increase investment risks, prompting investors to choose other investment options such as deposits with very low risk and guaranteed returns in the future (Paryudi et al., 2021). Previous research by Wismantara & Darmayanti (2017) and Alvian et al. (2019) has found an impact of interest rates on the JCI. Based on this explanation, the hypothesis proposed in this study is:

H2: Interest rates have an effect on the Jakarta Composite Index (JCI).

The Influence of Inflation on the Jakarta Composite Index (JCI).

Inflation is a macroeconomic variable that reflects the general increase in prices over a specific period. Higher inflation rates during a period indicate worsening economic conditions. Inflation tends to increase production costs for companies, leading to lower profit margins. This, in turn, can result in a decline in stock prices on the exchange. If many companies in the capital market experience this, the performance of the JCI will also decrease (Wismantara & Darmayanti, 2017). Research by Wismantara & Darmayanti (2017), Sri Rahayu & Diatmika

(2023), and Alvian et al. (2019) has shown the impact of inflation on the JCI. Based on this explanation, the hypothesis proposed in this study is:

H3: Inflation has an effect on the Jakarta Composite Index (JCI).

The Influence of Global Oil Prices on the Jakarta Composite Index (JCI)

Oil is a significant commodity for a country's economy, so global oil prices can impact the condition of a country's capital market (Beureukat & Andriani, 2021). For oil-exporting countries and mining sector companies, rising global oil prices can be advantageous as it attracts investor interest. However, for companies outside the mining sector, higher oil prices can lead to increased operational costs, resulting in potential losses. This can cause a decline in stock prices, and an aggregate decrease in stock prices will negatively affect the JCI. Research by Beureukat & Andriani (2021), Sri Rahayu & Diatmika (2023), and Hanoeboen (2017) has shown the impact of global oil prices on the JCI. Based on this explanation, the hypothesis proposed in this study is:

H4: Global oil prices have an effect on the Jakarta Composite Index (JCI).

The Influence of the Dow Jones Index on the Jakarta Composite Index (JCI).

The movement of the Jakarta Composite Index (JCI) on the Indonesia Stock Exchange cannot be separated from the movements of other global stock indices. Developed countries have strong economies, and this is also reflected in their stock indices. A country's stock index reflects the current economic conditions. A decline in a country's stock index indicates that the economic conditions of that country are worsening (Sri Rahayu & Diatmika, 2023). The correlation between stock exchanges, represented by the relationship between stock indices, occurs because investors use movements in stock indices from other exchanges as information in their investment decision-making processes. The Dow Jones Industrial Average (DJIA) is the oldest and still active market performance index in the United States (U.S.). It is believed to influence the JCI because, to this

day, the U.S. economy has a significant impact on countries worldwide, including Indonesia (Herlianto & Hafizh, 2020). Research by Beureukat & Andriani (2021), Herlianto & Hafizh (2020), Utama & Artini (2015), and Shelly Midesia (2022) has found an influence of the Dow Jones Index on the JCI. Based on this explanation, the hypothesis proposed in this study is:
H5: The Dow Jones Index has an effect on the Jakarta Composite Index (JCI).

2. Methods

Research Type

This study is a quantitative research with a causal approach. According to Sugiyono (2019), causal research aims to identify cause-and-effect relationships. This research aims to determine the impact of Exchange Rate, Interest Rate, Inflation, Global Oil Prices, and the Dow Jones Index on the Jakarta Composite Index (JCI).

Population and Sample

The research population consists of monthly data for several variables, including the JCI, Exchange Rate, Interest Rate, Inflation, Global Oil Prices, and the Dow Jones Index, covering the period from 2019 to 2023. Since the number of data points is less than 100 (specifically, 60 data points), the entire population is used as the research sample, employing a saturated sampling technique.

Data and Data Collection Techniques

The data in this study are secondary data. The secondary data used in this research are obtained from records, books, and magazines in the form of company publications, financial statements, government reports, articles, books, and so forth (Tubastuvi et al., 2020).

Data Analysis Techniques

The data analysis in this study uses multiple linear regression analysis, which includes Classical Assumption Tests (Normality, Multicollinearity, Autocorrelation, and Heteroscedasticity), t-Test, F-Test, and R-Square Test.

3. Results and Discussion

Classical Assumption Tests

A summary of the results of the classical assumption tests can be seen in Table 1

Table 1. Summary of Classical Assumption Tests

No	Analysis	Result	Requirement	Description
1	Normality Test	The significance value is 0.964.	Sig > 0.05	Normal
2	Multicollinearity Test	he Tolerance values for the variables are as follows: • Rupiah Exchange Rate: 0.663 • Interest Rates: 0.705 • Inflation: 0.417 • Oil Prices: 0.294 • Dow Jones Index: 0.348 The Variance Inflation Factor (VIF) values for the variables are: • Rupiah Exchange Rate: 1.507 • Interest Rates: 1.419 • Inflation: 2.397 • Oil Prices: 3.396 • Dow Jones Index : 2.872	Tolerance > 0.10 VIF < 10	No multicollinearity detected
3	Autocorrelation Test0-	DW value = 1.803 du value for N = 60 and K = 5 is 1.7671 From the data, it is known that du < DW (1.7671 < 1.803) and DW < 4 - du (1.803 < (4 - 1.7671) 2.2329)	du < DW < 4-du	No Autocorrelation Detected
4	Uji Heteroskedastisitas	The significance values for the variables are as follows: Rupiah Exchange Rate (0.855), Interest Rate (0.180), Inflation (0.134), Oil Price (0.108), and Dow Jones Index (0.311).	Sig > 0.05	There is no heteroscedasticity.

Based on
Table 1. the research data meets the prerequisites for the classical assumption tests.

Multiple Linear Regression Equation

The regression equation for this study is as follows:

Tabel 1. regression equation
Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.304	.787		6.737	.000
	Rupiah Exchange Rate	-.224	.060	-.179	-3.734	.000
	Interest Rates	.233	.032	.334	7.180	.000
	Inflation	.101	.033	.186	3.075	.003
	Global Oil Prices	.024	.002	.701	9.729	.000
	Indeks Dow Jones	.042	.012	.234	3.532	.001

Based on
Table 2. the regression equation for this study is as follows.

IHSG = 5.304 - 0.224 Kurs + 0.233 SB + 0.101 Inf + 0.024 HM + 0.042 IDJ

The regression equation above indicates that the exchange rate has a negative impact on the Composite Stock Price Index (IHSG), meaning that a depreciation of the rupiah leads to a decline in the IHSG. In contrast, the other variables—interest rates, inflation, oil prices, and the Dow Jones Index—have a positive effect on the IHSG. This implies that increases in interest rates, inflation, oil prices, and the Dow Jones Index result in a rise in the IHSG.

Hypothesis Testing t-Test
The results of the partial hypothesis testing (t-test) can be seen in Table 3.

Table 3. t-test
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.304	.787		6.737	.000
	Rupiah Exchange Rate	-.224	.060	-.179	-3.734	.000
	Interest Rates	.233	.032	.334	7.180	.000
	Inflation	.101	.033	.186	3.075	.003
	Global Oil Prices	.024	.002	.701	9.729	.000
	Indeks Dow Jones	.042	.012	.234	3.532	.001

Based on Table 3, it is evident that all research variables have a significant impact on the IHSG, as all variables have a significance value of less than 0.05. The significance value for the Exchange Rate (KURS) is 0.000, for the Interest Rate it is 0.000, for Inflation it is 0.003, for Oil Prices it is 0.000, and for the Dow Jones Index it is 0.001. The regression coefficient for KURS is negative, indicating that the impact of KURS on the IHSG is negative, meaning that when the U.S. dollar appreciates, the IHSG tends to decline. On the other hand, the other independent variables show positive regression coefficients, indicating that when the interest rate, inflation, global oil prices, and the Dow Jones Index rise, the IHSG also tends to increase.

The F-Test
The results of the simultaneous hypothesis test (F-Test) are as follows:

Table 4. F-Test Results

F	Sig.
119.976	.000[b]

Based on the table, it is evident that the simultaneous effects of the Rupiah Exchange Rate, Interest Rate, Inflation, World Oil Prices, and Dow Jones Index on the Composite Stock Price Index (IHSG) are significant.

Koefisien Determinasi (R Square)
Hasil uji koefisien determinasi dapat dilihat pada tabel berikut.

Tabel 2. Koefisien determinasi

R	R Square	Adjusted R Square
.958[a]	.917	.910

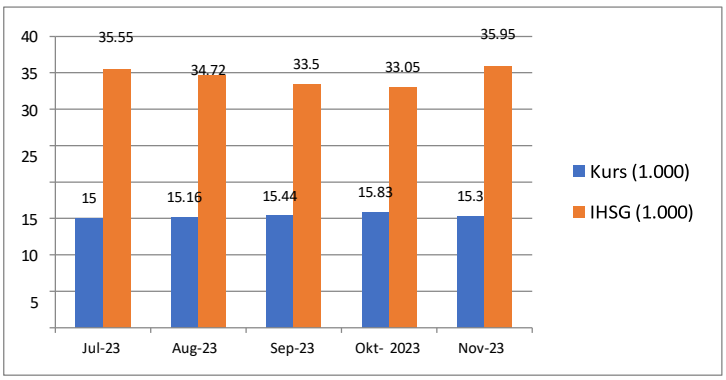
Based on Table 5, the R Square value is 0.917. This indicates that the five independent variables explain 91.7% of the variation in the Composite Stock Price Index (IHSG). The remaining 8.3% is influenced by other variables, such as economic growth and money supply.

Disscussion
Influence of Exchange Rate (KURS) on IHSG

The research shows that the exchange rate (KURS) against the US dollar has a significant negative impact on the Composite Stock Price Index (IHSG). This is evident from the negative coefficient and a significance value of less than 0.05. This indicates that as the exchange rate of the rupiah against the US dollar increases (meaning the rupiah weakens), the IHSG value tends to decrease.

The negative impact of the exchange rate on the IHSG occurs because a higher exchange rate (weaker rupiah) reflects deteriorating economic conditions. An increase in the dollar reduces the country's foreign exchange reserves in dollars. If this situation persists over a long period, it could worsen the economic conditions. As a result, investors may reconsider their investments in the stock market, leading to a drop in stock prices and, consequently, a decrease in the IHSG (Febriyanti & Delfiani, 2023).

The negative effect of the exchange rate on the IHSG is also evident from the research data, where an increase in the US dollar is followed by a decrease in the IHSG. Some examples of this phenomenon can be observed in the following graph.



Based on the image, it can be observed that in November, when the exchange rate was around 15.3, the IHSG was at 35.94. However, when the exchange rate increased to 15.83 per US dollar, the IHSG dropped to 33.05 (October 2023). Another phenomenon is seen in July and August 2023, where, with the exchange rate at 15 per US dollar, the IHSG was at 35.55. When the exchange rate increased to 15.16, the IHSG decreased to 34.72. These two pieces of data indicate that a weakening rupiah affects the decline in the IHSG.

The results of this study are consistent with the research by Alvian et al., (2019), Febriyanti & Delfiani, (2023), and Paryudi et al., (2021), which show an impact of the exchange rate on the IHSG.

The Impact of Interest Rates on IHSG

The research findings indicate a positive effect of rising interest rates on the Composite Stock Price Index (IHSG). This is evidenced by the positive coefficient and a significance value of less than 0.05. The positive impact of increasing interest rates on the IHSG can be attributed to the fact that an increase in interest rates set by Bank Indonesia reflects the central bank's confidence in the strength and future growth prospects of the economy. Therefore, rising interest rates can be perceived as a positive signal for investors, indicating that the Indonesian economy is in good and stable condition, which can enhance investor confidence and drive up the IHSG.

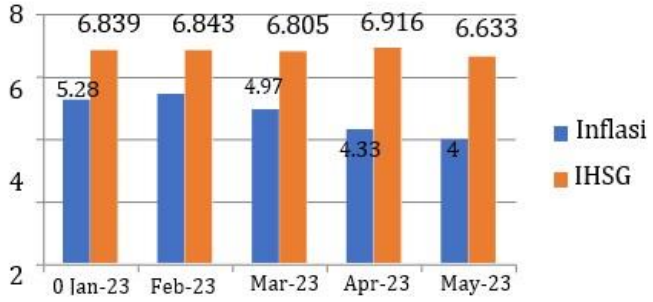
The research data show that interest rates during the period from 2019 to 2022 fall within a reasonable range. The average interest rate set by Bank Indonesia from 2019 to 2022 was 4.64%, with the highest rate being 6% during January 2019 – July 2019 and October 2023 – December 2023. The lowest rate was 3.5%, observed from March 2021 – July 2022. The low interest rates during the period from March 2021 to July 2022 had a positive impact on the public, particularly in terms of access to inexpensive funds from banks. Low interest rates usually encourage increased borrowing and consumption, as the cost of borrowing becomes more affordable. This can help drive economic growth, boost investment, and support various business sectors. Increased consumption and investment positively impact the performance of companies listed on the Indonesia Stock Exchange. This can enhance investor confidence and contribute to the strengthening of the Composite Stock Price Index (IHSG).

The findings of this study align with the research conducted by Wismantara & Darmayanti (2017), which concluded that inflation has a significant positive impact on the IHSG.

The Impact of Inflation on IHSG

The research results indicate a positive impact of rising inflation on the Composite Stock Price Index (IHSG). This is evident from the positive coefficient and a significance value of less than 0.05. The positive effect of inflation on IHSG can be attributed to the fact that the inflation rate in Indonesia remains within a moderate range (<10%). Moderate inflation can actually have a beneficial impact on the economy. When inflation is well-managed, the economy can grow sustainably without excessive inflationary pressures. Stable and sustainable economic growth positively affects company performance and, consequently, the IHSG (Fadilla, 2021).

The research data also show a similar phenomenon where an increase in inflation leads to a rise in IHSG. This can be observed in the following graph.



Based on the data, it is observed that when inflation increases, IHSG also tends to rise, as seen in January and February 2023. For instance, when inflation rose from 5.28% to 5.47%, IHSG increased from 6,839 to 6,843. Conversely, when inflation decreased from 4.33% in April to 4% in May, IHSG fell from 6,916 to 6,633. These data points provide substantial evidence that inflation positively affects IHSG.

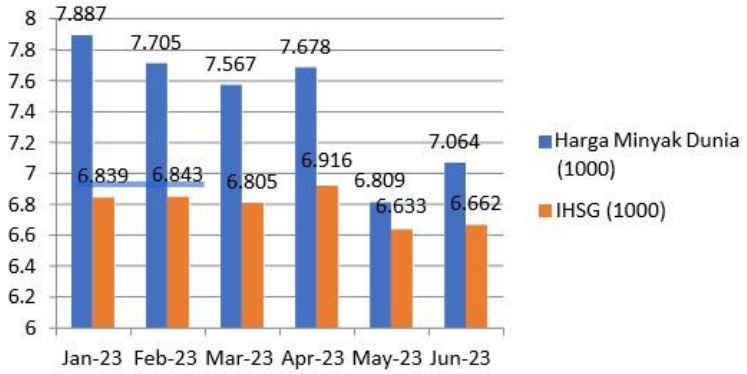
These findings are consistent with research by Sri Rahayu & Diatmika (2023), which concluded that inflation has a significant positive impact on IHSG.

The Impact of Global Oil Prices on IHSG

The results of this study indicate a positive effect of rising global oil prices on the Jakarta Composite Index (JCI). This is evidenced by a positive coefficient and a significance level of less than 0.05. This positive effect occurs because rising global oil prices do not always negatively

impact investors. In some cases, higher oil prices may signal a strong global economy and increased energy demand, which can ultimately benefit companies.

The research data also show that an increase in global oil prices leads to a rise in the JCI. This can be observed in the following graph.



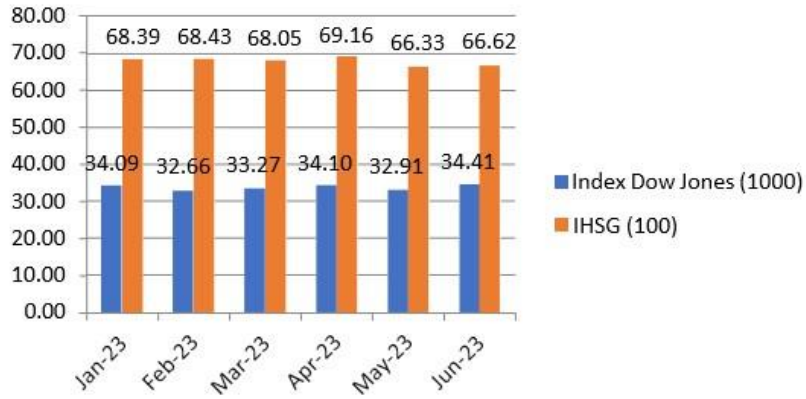
Based on the graph, it can be seen that an increase in global oil prices is followed by an increase in the Jakarta Composite Index (JCI). This is evident from the data for February and March 2023, where a drop in global oil prices from 7.705 to 7.567 resulted in a decrease in the JCI from 6.843 to 6.805. A similar phenomenon occurred in May and June 2023, when an increase in oil prices from 6.809 to 7.064 was accompanied by a rise in the JCI from 6.633 to 6.662. This provides substantial evidence of the impact of global oil prices on the JCI.

These findings align with research conducted by Beureukat & Andriani (2021) and Sri Rahayu & Diatmika (2023), which concluded that global oil prices have a significant positive impact on the JCI.

The Impact of the Dow Jones Index on the Jakarta Composite Index (JCI)

The results of this study indicate a positive effect of the Dow Jones Index increase on the Jakarta Composite Index (JCI). This is evident from the positive coefficient and the significance value of less than 0.05. The influence of the Dow Jones Index on the JCI occurs because investors use the movements of stock indices in other markets as information in their investment decision-making process. Therefore, when the Dow Jones Index rises, it leads to an increase in the JCI.

The research data also show a similar pattern, where an increase in the Dow Jones Index is followed by a strengthening of the JCI, as illustrated in the following graph.



4. Conclusion

Based on the research results, it is known that the independent variables in this study, which include Exchange Rate, Interest Rate, Inflation, Global Oil Prices, and the Dow Jones Index, have a significant impact on the Jakarta Composite Index (JCI). The Exchange Rate variable has a negative impact on the JCI, while the other variables have a positive impact on the JCI. The simultaneous testing results indicate that all independent variables affect the JCI. The coefficient of determination shows that the combined effect of all variables is 91.7%.

Future research can build upon this study by adding more independent variables such as economic growth, money supply, and trade balance. Subsequent researchers may also extend the study period. Investors should consider both local and international macroeconomic conditions, as well as stock index movements in other countries, to achieve optimal returns on their investments.

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