

THE IMPACT OF MACROECONOMIC VARIABLES ON INDONESIA'S STOCK MARKET

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STATEMENT BY THE AUTHOR

I hereby declare that this submission is my own work and to the best of my knowledge, it contains no material previously published or written by another person, nor material which to a substantial extent has been accepted for the award of any other degree or diploma at any educational institution, except where due acknowledgement is made in the thesis.



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ABSTRACT**THE IMPACT OF MACROECONOMIC VARIABLES ON INDONESIA'S STOCK MARKET**

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This study examines the impact of selected macroeconomic variables on stock market performance in Indonesia, as measured by the Indonesia Stock Exchange Composite Index (IHSG). Using a quantitative approach, secondary time-series data from 2021 to 2024 are analyzed through multiple linear regression, with classical assumption tests applied to ensure model validity. The results indicate that Foreign Direct Investment (FDI) has a positive and statistically significant effect on the IHSG, suggesting that increased foreign capital inflows enhance stock market performance. In contrast, exchange rate depreciation and rising interest rates exert significant negative effects on the IHSG, reflecting the adverse impact of currency instability and tighter monetary policy on equity prices. Among the examined variables, the exchange rate shows the strongest influence on stock market movements, highlighting the sensitivity of Indonesia's capital market to external economic conditions. Overall, the findings emphasize the importance of macroeconomic stability for sustaining stock market growth and provide useful insights for policymakers and investors in managing risk and formulating economic strategies in emerging markets.

Keyword: Foreign Direct Investment, Exchange Rate, Interest Rate, Stock Market Performance, IHSG



DEDICATION

This thesis is lovingly dedicated to my beloved mother, father, and advisor, who have been my strength and unyielding support throughout this journey.

To my mother, whose sacrifice, wisdom, and love boundless have guided me every step of the way.

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