

ABSTRACT

The rapid growth of stock market can't be separated from the role of investor who conduct transaction in stock market. One of important information which is necessary for investor prior investing their fund is the prediction of risk to the investment of stock purchase because the fluctuative of stock price. One of method that can be used for measuring the risk is VaR. VaR is determined by involving volatility model and in this research using Generalized Autoregressive Conditional Heteroskedasticity (GARCH) and Markov Regime Switching Generalized Autoregressive Conditional Heteroskedasticity (MRS-GARCH). In this research to determine the accuracy of VaR value using method of correct VaR and model GARCH with orde (1,1). Based on the results of the analysis, VaR method using MRS-GARCH (1,1) $s_t = 0$ model can anticipate risks better than MRS-GARCH (1,1) $s_t = 1$ model. Such as in the confidence level 95%, model MRS-GARCH (1,1) experienced failure 0,3% while model GARCH (1,1) did failure 0,8%.

Keywords : Return, Value-at-Risk, GARCH, Markov regime switching, MRS-GARCH, correct VaR