

ABSTRACT

The uncertain economic situation, requires investors to be able to predict losses in the stock market. One method that can be used to determine the loss is Value-at-Risk (VaR). The *Markov Regime Switching* model can be involved for the calculation of the value of the investment loss. One of the main models used in this final project is the *Markov Switching Autoregressive* Model (MS-AR), to determine the VaR values with the MS-AR (1.0) and MS-AR (1.1) models. Based on differences in the VaR methodology, the optimal VaR was tested using Correct VaR. The realization of the VaR-MSAR model violation for $St = 0$ has a value of proportion close to the target violation, compared to the VaR-MSAR model for $St = 1$ that is 0.068; 0.022; And 0.007 for each of the 10% violation targets; 5%; And 1%.

Keywords : Stock, *Value-at-Risk*, *Markov Switching Autoregressive*, *Correct VaR*