ABSTRACT

Kompas100 stock index from the years of 2012-2016 experience daily fluctuating phenomenon due to the response to the arrival of information coming into the market supply and demand. The Rupiah/USD exchange rates is the factor of concern because it led to the stock depreciation in the prices fluctuation. This research was conducted to find out about the influence of the movement of the Rupiah/USD exchange rates on the Kompas100 index volatility.

This study uses secondary data, a daily data of Kompas100 index and Rupiah/USD exchange rates.The data is analysed using GARCH method by applying the Augmented Dickey Fuller test for stasionarity, White test for heteroskedasticity, ARMA test for the best model, and Granger Causality test.

Based on the research results, data Rupiah/USD exchange rates and Kompas100 index is not stationary at level but stationary at first difference by changing data into return. The results of the study indicate that there is a problem heteroskedasticity on the data return. The best ARMA in this research is ARMA (1.3) and put on a mean equation on the modeling of GARCH (1.1). The results showed there are influences between the movement of the Rupiah/USD exchange rates and volatility of Kompas100 index and in residual variance significant influenced by the volatility of the previous period and the residual variance of the previous period. Based Granger Causality test there is a one-way causal relationships from the volatility of Kompas100 index return to the movements of Rupiah/USD exchange rates return.

Keywords: Stock Indexs, Exchange Rates, Volatility, GARCH.