ABSTRACT

FATHURRAHMAN RAMADHANI AMIRUDDIN ABU. Oil Price and Macroeconomics Variables Effects on Stock Price Index (Comparative Study : South East Asia, East Asia, Europe, and America). Supervised by NOER AZAM ACHSANI and DEDI BUDIMAN HAKIM.

Crude oil is one factor that drive the world economy today. Its price performance is benchmark for the performance of the world economy because of its role is considered important in production process. Seven major stock indices in Asia has increased significantly as well as the increase in oil price since early 2002. Data shows since 2003 until 2008, Hang Seng rose 54.78 percent, BSE increased 71.22 percent, JKSE increased 74.80 percent, KLSE rose 45.06 percent, Nikkei rose 30.25 percent, Strait Times rose 49.33 percent, and KOSPI rose 57.27 percent. The improvement of global oil price followed by rising indices in Asia is not in accordance with the transmission mechanism and raises the question whether there is positive movement towards the oil price movement of stock price indices in Asia, whereas some countries in Asia are oil importers, particularly East Asia and India. Influence oil price on the economy may be different. Oil exporting countries got advantage from positive trends in oil price because of their income increases with rising oil price, while higher oil price would make oil importing countries have to pay more for their oil needs.

The purpose of this study was to analyze how oil price and macroeconomic variables affect on stock price index in South East Asia, East Asia, Europe, and America countries. The data is monthly time series data from January 2000 until December 2009. Then, it analyzed using VAR/VECM with analysis tools IRF, and FEVD. The result showed that generally in Asia, stock price index in all Southeast Asia as well as India and South Korea would respond negatively to the oil price. If there were an increase in world oil price, it would lower the stock price index in each of these Asian countries. Stock price indices in European countries, namely FTSE, DAX, CAC, and SMI indicate different results. In general, FTSE, DAX, and SMI would positively respond to oil price movements, different from others, CAC would respond negatively. As in Europe, mostly stock price indices in America has also responded positively in oil price, except in Brazil which responded negatively.

Keywords : Oil price, stock price indices, macroeconomic variables, VECM, IRF, FEVD