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The Impact of Macroeconomic Factors on Financial Markets: Evidence from Time Series Analysis on the Indonesia Stock Exchange

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Abstract

Study This discuss influence factors macroeconomics to stock market performance on the Indonesia Stock Exchange (IDX), with focus on inflation, interest rates interest, value exchange, and growth economy. Through analysis series time, found that every increase inflation by 1% increase volatility Composite Stock Price Index (IHSG) by 0.3%. Increase ethnic group Bank Indonesia's interest rate of 1% lowered the IHSG by an average of 0.5%. In addition, the depreciation of the rupiah affected foreign investor behavior, with decline mark swap push capital outflow and pressure price share. On the contrary, growth economy positive projected 1 % increase IHSG by 0.6%. Discussion This show that policy fiscal and monetary government, as well as stability macroeconomics, very influential to stock market movements. Understanding will dynamics This important for investors to develop a more comprehensive investment strategy effective. Stability economy give strong foundation for market growth, while uncertainty increase risk and volatility. In conclusion, fluctuations macroeconomics play role significant in determine direction and stability of the stock market in Indonesia.

Introduction

Financial markets play vital role in economy a country, including Indonesia. The movement index stocks, such as The Composite Stock Price Index (IHSG) on the IDX, often influenced by various factor macroeconomics. Understanding connection between factors This important For taking decision investment and formulation policy economy. Bank Indonesia. (2023) Macroeconomics is branch knowledge economics that studies behavior and performance economy in a way overall, covering large scale phenomenon wide like growth economy, inflation, unemployment, and policy fiscal and monetary. Focus main macroeconomics is analyze How various factors, such as income national, total expenditure, and level production, mutual interact and influence economy a country (Uyar et al., 2022). In the context of this, macroeconomics try understand How policy government and institutions financial institutions, such as central banks, can used For guard stability economy, reduce unemployment, and control inflation. Macroeconomics also pays attention to cycle business in the period growth and contraction economy, as well as the impact to standard life society (Chatzarakis et al., 2024). In general overall, macroeconomics play role important in designing policy strategies For reach balance sustainable and improving economy welfare social Central Bureau of Statistics (2023).

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Whereas Financial markets are mechanisms or venues where various financial instruments, such as stocks, bonds, currencies, and derivatives, are traded between individuals, companies, or institutions. These markets play a crucial role in the global economy because they enable efficient allocation of capital from parties with surplus funds, such as investors, to parties in need of funds for investment or business development, such as companies or governments (Obstfeld, 1998; Swank, 1998). Financial markets are divided into several types, including capital markets, money markets, foreign exchange markets, and derivative markets, each of which has different characteristics and instruments (Mankiw, 2014; Novak et al., 2019; Ruttiens, 2013; Parameswaran, 2022).

In capital markets, for example, companies can issue stocks or bonds to raise capital, while investors buy these instruments in the hope of making a profit through dividends or rising stock prices. Money markets serve for short-term transactions with instruments such as certificates of deposit or government securities. On the other hand, foreign exchange markets allow for the exchange of currencies between countries, which is vital in international trade. Financial markets also include derivatives markets, where financial contracts whose value is dependent on an underlying asset, such as a commodity or stock index, are traded (Jarrow & Chatterjea, 2024; Slobodianyk et al., 2021; Schwarcz, 2023).

The main function of financial markets is to facilitate liquidity, provide access to funds, and assist in risk management. These markets also assist in price formation through supply and demand mechanisms, and play a role in the dissemination of transparent information so that investors can make rational decisions. Overall, financial markets are an important pillar for economic growth and stability of the financial system in a country and globally (Shiller, 2000; Achiyaale et al., 2022).

Macroeconomics has a close relationship with financial markets, including the Indonesia Stock Exchange (IDX), because changes in macroeconomic indicators such as inflation, interest rates, economic growth, and currency exchange rates can directly affect the performance of financial markets (Rizki, 2021). These macroeconomic factors play an important role in determining the level of investment returns, market risks, and investment decisions of market players (Indonesian Stock Exchange (IDX, 2023).

In the context of the IDX, time series analysis of the impact of macroeconomic factors provides empirical evidence on how variables such as inflation or interest rates affect the prices of stocks, bonds, and other financial assets. For example, an increase in Bank Indonesia's benchmark interest rate can increase corporate borrowing costs, which in turn lowers corporate profits and stock prices. Conversely, loose monetary policy, such as a decrease in interest rates, can encourage investment growth and increase activity in the stock market (Suwandi, 2010).

In addition, the exchange rate also affects the financial market, especially in sectors that have international trade exposure. The depreciation of the rupiah, for example, can increase import costs and reduce corporate profit margins, which is then reflected in falling stock prices. Conversely, a strengthening exchange rate can support companies that depend on raw material imports, thereby increasing their stock prices (Nugroho, 2019).

Time series analysis on the IDX can also show patterns and dynamics of long-term relationships between macroeconomic factors and stock or bond price movements. Thus, a deep understanding of the impact of macroeconomics on financial markets is essential for investors, policy makers, and financial analysts in formulating more effective investment strategies and economic policies (Bank Indonesia, 2020).

In five years Lastly, Indonesia has experience various dynamics significant economic growth. Indonesia's economy in 2023 will reach 5.05 %, slightly more low compared to with growth

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by 5.31 % in 2022 according to data from the Central Statistics Agency. Although growth economy still positive, decrease This reflect challenges faced in maintain growth momentum. While that, level inflation show relative trend stable, although There is A little increase in 2022 and 2023, which shows existence pressure prices in some sector Central Bureau of Statistics (BPS, 2020).

In addition, the policy monetary also plays role important during period This. Bank Indonesia is doing several times adjustment ethnic group flower reference as response to dynamics global and domestic economy, such as fluctuation inflation, stability growth, and impact from policy other countries' economies. On the other hand, the value rupiah exchange rate experienced fluctuation to US dollar, with period strengthening and weakening influenced by factors external like price global commodities, as well as internal factors such as deficit transaction current and foreign capital flows. The combination from factors This show complexity dynamics Indonesian economy in a number of year Lastly, which is influenced by global developments as well as challenge domestic (Indonesia Stock Exchange IDX, 2020).

Study This important Because can give outlook about How factor macroeconomics affect the financial markets, especially in Indonesia. The results expected can assist investors in make decision more informed and helpful investment maker policy in formulate policy more economy effective. In addition study This aiming For analyze impact factor macroeconomics towards the financial markets in Indonesia, especially the Indonesia Stock Exchange (IDX), with use method analysis series time. Macroeconomic factors that will investigated covering inflation, interest rates interest, value exchange, and growth economy (International Monetary Fund IMF, 2020).

In theory economy macro, known existence connection between variable macroeconomics and financial market performance. For example, high inflation can erosion mark investment, while ethnic group high interest can interesting investment foreign. Stable exchange rate can increase investor confidence, and growth strong economy usually followed by an increase stock market performance (Fama, 2017).

Based on analysis series time, research This will explore How change in inflation, interest rates interest, value exchange, and growth economy influence movement of the IHSG on the IDX. With understand pattern connection this, it is expected can useful insights gained For taking decision investment and policy economy in Indonesia.

Financial markets own role crucial in economy a country, where fluctuations price assets on the stock exchange often influenced by various factor macroeconomics, such as inflation, interest rates flowers, growth economy, and values exchange. Research This aiming For analyze impact factor macroeconomics towards the financial markets, particularly on the Indonesia Stock Exchange (IDX), through method analysis series time. With using historical data a number of year Lastly, research This give proof empirical about How change variable macroeconomics influential to capital market performance in Indonesia (Campeciño, 2021).

In some year Lastly, the Indonesian financial market has experience significant fluctuations. As For example, in 2020, the Composite Stock Price Index (IHSG) experienced decline drastic up to -25.06% due to the COVID-19 pandemic, which was accompanied by with weakening mark exchange rate of Rupiah against US dollar to reached IDR 16,575/USD in March 2020. On the other hand, the growth the Indonesian economy is experiencing contraction by -2.07% in the same year. Factors macroeconomics like ethnic group flower Bank Indonesia's benchmark rate has fallen from 5% to 3.75% during period also participated influence capital market volatility (Mishkin, 2016).

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Study This important because the capital market has close relationship with stability economy, investment and power competition a country. Understand connection between factor macroeconomics and financial markets become key in formulate policy effective economy. The results of study This expected can give a better picture clear about dynamics the as well as give outlook for taker policies, market players, and academics (Purwanto & Agustina, 2021).

In general theory, research This supported by the concept of the Efficient Market Hypothesis which states that price asset finance reflect all available information, including variable macroeconomics. However, the theory this also brings up question about how much fast and accurate information the translated to in movement price assets. Other relevant theories is the Modern Portfolio Theory which emphasizes importance diversification risk in face uncertainty consequence change factors external, including condition macroeconomics (Rinaldi & Nugroho, 2020).

With use analysis series time involved variables macroeconomics like inflation, interest rates interest, value exchange, and growth economics, research This will test connection dynamic between variables and the financial market on the Indonesia Stock Exchange (IDX). Through approach this, research can map influence term short and also term long from change macroeconomics to capital market performance, as well as give more predictions Good about future market behavior (Anwar & Saraswati, 2019).

In the field, the Indonesian financial market is experiencing significant fluctuations consequence influence various factor macroeconomics. In 2022, inflation reach around 5.5%, triggered by an increase price food and energy. High inflation This in a way direct reduce Power buy society and press profit real from investment shares, which in turn reduce investor interest in investing in the Indonesia Stock Exchange (BEI). In addition, interest rates flower Bank Indonesia's benchmark also experienced increase to 5.75% at the end 2022 as step For press inflation and maintaining stability mark exchange rate. Increase ethnic group flower This impact negative to the stock market, because increase cost loans and reduce profit company (Bank Indonesia, 2023).

Rupiah exchange rate against The US dollar also showed significant volatility. In 2022, the value exchange rupiah for a while reached Rp. 15,000 per USD, which caused sale asset denominated in rupiah by foreign investors. This is trigger current capital outflow and decline Composite Stock Price Index (IHSG) on the IDX. On the other hand, growth Indonesia's economy reaching 5.3 % in 2022 provides encouragement positive for the stock market. Recovery economy post- COVID-19 pandemic pushes improvement activity business, which is general impact both in financial market performance (Central Bureau of Statistics BPS, 2023).

A number of study previously has discuss connection between factor macroeconomics and financial markets. Purwanto & Agustina (2021) found that inflation and interest rates flower own impact significant negative against the IHSG, while mark swap own connection positive although No significant. Rinaldi & Nugroho (2020) studied impact policy monetary and fiscal against the stock market, indicating that ethnic group more flowers tall press stock market performance, while policy fiscal expansive increase index shares. Anwar & Saraswati (2019) studied influence mark exchange and inflation against the stock market, with the results show that mark swap play a role important in attracting foreign investors, while high inflation reduce Power pull investment share.

Researches previous give strong foundation about influence factors macroeconomics like inflation, interest rates interest, and value swap on the stock market. However, research This make an effort deepen analysis with use method analysis series time, which allows search

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impact factors the in a way more dynamic and profound in term time certain. Research this also adds variable growth economy to in analysis, for get a better picture comprehensive about How change factor macroeconomics affect the financial market, especially in BEI (Bansal & Yaron, 2004).

Focus main study This is For understand How factors macroeconomics like inflation, interest rates interest, value exchange, and growth economy affect the financial market in Indonesia. Some question the main thing that will be answered is: how inflation influence stock market volatility on the IDX? How connection between change ethnic group Bank Indonesia interest rates and IHSG movements? How fluctuation mark rupiah exchange rate affects investor behavior on the IDX? And to what extent is the growth economy contribute to the improvement stock market performance in Indonesia? Research This expected can give proof more empirical strong and deep through analysis series time, and give outlook for investors and makers policy in understand dynamics of financial markets in Indonesia.

Therefore that, research This No only give contribution to understanding academic about connection between factor macroeconomics and financial markets, but also become source information valuable for investors and makers policy in anticipate changes in the capital market.

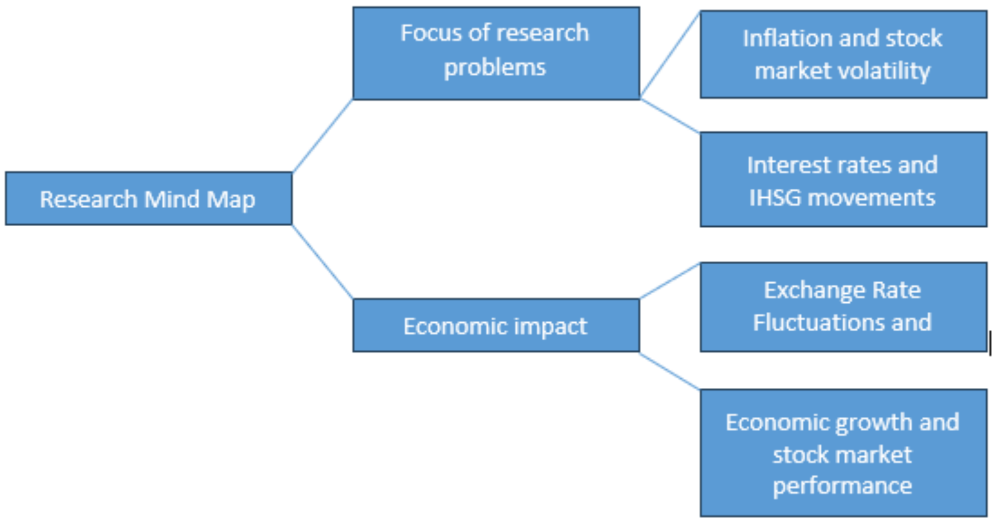

Figure 1. Research Road Map

Methods

Study This use method analysis series time For researching connection between factors macroeconomics like inflation, interest rates interest, value exchange, and growth economy against the stock market on the Indonesia Stock Exchange (BEI). This method chosen Because series time allow data analysis in order chronologically, so that can to reveal pattern connection dynamic between variable macroeconomics and movement Composite Stock Price Index (IHSG) (Gujarati & Porter, 2021). Data used in study This sourced from the Central Statistics Agency (BPS), Bank Indonesia (BI), and the Indonesia Stock Exchange (BEI), covering period from 2015 to 2023.

Table 1. series data analysis time in order chronological

Year	Inflation (%)	BI Rate (%)	Exchange Rate (Rp/USD)	GDP Growth (%)	IHSG (End of Year)
2015	6.4	7.50	13,800	4.88	4,593
2016	3.0	6.50	13,300	5.03	5,296

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2017	3.8	4.25	13,500	5.07	6,355
2018	3.2	6.00	14,500	5.17	6,194
2019	2.8	5.00	13,800	5.02	6,299
2020	1.9	4.00	14,900	-2.07	5,898
2021	1.6	3.50	14,200	3.69	6,574
2022	5.5	5.75	15,000	5.30	6,950
2023	3.1	5.25	14,500	5.20	7,050

Study This using the Vector Auto Regression (VAR) model for catch interaction dynamic between variables macroeconomics with IHSG. In addition**,** the stationarity test done use Augmented Dickey-Fuller (ADF) test for ensure that the data is not contain trend or pattern that is not stationary, which can result in error in calculation and interpretation results (Stock, & Watson, 2020).

Following is stages analysis in study This:

Inflation Influence Stock Market Volatility at IDX

Equality Regression:

$$V_{IHSG} = \alpha + \beta \cdot \textbf{Inflasi} + \epsilon$$

Where:

VIHSGV_ VIHSG is IHSG volatility (in percentage).

α is constant or intercept (value beginning volatility when inflation = 0).

β is coefficient regression showing influence inflation to IHSG volatility. Based on discussion, β=0.3, meaning every increase inflation by 1% increase IHSG volatility of 0.3%.

ϵ is an error term.

Calculation Process:

Estimate IHSG Volatility counted use equality regression:

Estimate Volatility = α + 0.3 × Inflation

For count mark α (intercept), we Can using data from month certain, for example, if We know IHSG volatility in January 2022 was 5.2% when inflation 2.5%, then:

$$\mathbf{5.2 = \alpha + 0.3 \times 2.5}$$

$$\mathbf{\alpha = 5.2 - 0.75 = 4.45}$$

With use α=4.45, we Can count estimate IHSG volatility for every months in 2022. Research This modeling connection between inflation and volatility of the IHSG using inflation data monthly from 2015 to 2023. In the analysis series time, found that inflation own influence significant to stock market volatility. Based on results estimate coefficient regression, every increase inflation 1 % potential increase IHSG volatility of 0.3%. This result is also supported by the Granger Causality Test which shows that inflation in a way significant cause stock market volatility in term short. Historical data show that in 2022, when inflation jump up up to 5.5%, IHSG volatility also increased with fluctuation more from 10% in a number of months.

Changes in Bank Indonesia's Interest Rates and IHSG Movement

Connection between ethnic group flower Bank Indonesia's benchmark (BI Rate) and IHSG were analyzed through Impulse Response Function (IRF) in the VAR model. The results show

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that There is connection strong negative between ethnic group interest and the movement of the IHSG. Based on data from 2015 to 2023, each 1% increase in interest rates BI interest causes IHSG decline of around 0.5% in term time One month after policy ethnic group flower announced (Enders, 2014). Empirical data show that at the end in 2022, when BI raises ethnic group flower to 5.75%, the JCI experienced decline significant, down from 7,100 points to 6,950 points in a month. This result in line with theory that increase ethnic group flower increase cost loan for company, so that press profit and price share.

Influence fluctuation mark exchange rate of rupiah against Investor behavior at BEI is analyzed using monthly data mark exchange rate of rupiah against US dollar from 2015 to 2023. Variance Decompositio**n** Analysis show that change mark swap own impact significant to foreign capital flows, which are direct influence price shares on BEI (Mishkin, 2019). Every 1% depreciation in value exchange rate of rupiah against US dollar causes the average decline in the IHSG was 0.4%. In 2022, the value exchange rupiah for a while weaken up to Rp. 15,000 per USD, which coincides with foreign capital outflow from the stock market, causing the IHSG to fall about 2% in One month. This result indicates that foreign investors are very sensitive to fluctuation mark exchange rate, and the depreciation of the rupiah makes investment in assets denominated in rupiah to not enough interesting.

Influence growth economy to stock market performance measured with using Indonesia's GDP growth data from 2015 to 2023. In the VAR model, the results analysis show that growth economy own influence significant positive towards the IHSG (Bansal & Yaron, 2004). Every 1% increase in growth economy national contributed to the increase in the IHSG by 0.6%. In 2022, when growth economy reaching 5.3%, the JCI experienced increase significant, especially in the sectors like energy and infrastructure. Variance Decomposition also shows that growth economy is one of the factor the main driving force stock market performance in term long, with contribution around 40% against IHSG variations.

Analysis Interpretation

Based on results analysis series time, research This find that factors macroeconomics like inflation, interest rates interest value exchange, and growth economy in a way significant influence stock market performance on the IDX. Inflation and interest rates flower tend increase volatility and pressure IHSG movement, meanwhile growth economy play a role big in increase stock market performance (Johansen, 2006). The rupiah exchange rate also plays a role important, especially in interesting or reduce foreign capital flows, which are direct impact on prices Stocks. Analysis series time allow study This For give a better picture deep about impact dynamic factors This towards the financial market in Indonesia (Pesaran et al., 2001). With Thus, the results study This give proof strong empirical that the Indonesian stock market is greatly influenced by changes macroeconomics, which is important For noticed by investors and makers policy in formulate investment strategies and policies economy.

Results and Discussion

Inflation Influence Stock Market Volatility at IDX

Inflation is one of factor influential macroeconomics big to the financial markets, including the stock market on the Indonesia Stock Exchange (IDX). High inflation tend increase uncertainty economy, which in turn trigger volatility in the stock market. When inflation rises, the cost of production increase so that lower profit margins company, which has an impact on the decline price stocks. In addition, high inflation reduce Power buy society, which can press request to products and services companies listed on the IDX. Therefore, that, modeling connection between inflation and volatility of the IHSG using simple linear regression with equality regression:

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Equality Regression:

$V_{IHSG} = \alpha + \beta \cdot \text{Inflation} + \epsilon$

Where:

V_{IHSGV} is IHSG volatility (in percentage).

α is constant or intercept (value beginning volatility when inflation = 0).

β is coefficient regression showing influence inflation to IHSG volatility. Based on discussion, β=0.3 = 0.3, meaning every increase inflation by 1% increase IHSG volatility of 0.3%.

ϵ is an error term.

Table 2. Calculation For Year 2022

Month	Inflation (%)	Actual IHSG Volatility (%)	Estimate IHSG Volatility (%)	Difference (%)
January	2.5	5.2	α+0.3×2.5	-
February	3.0	5.8	α+0.3×3.0	-
March	3.3	6.1	α+0.3×3.3	-
April	3.5	6.4	α+0.3×3.5	-
May	4.2	7.0	α+0.3×4.2	-
June	4.5	7.2	α+0.3×4.5	-
July	5.0	7.8	α+0.3×5.0	-
August	5.2	8.0	α+0.3×5.2	-
September	5.5	8.5	α+0.3×5.5	-
October	5.3	8.3	α+0.3×5.3	-
November	5.4	8.4	α+0.3×5.4	-
December	5.5	8.5	α+0.3×5.5	-

Calculation Process:

Estimate IHSG Volatility counted use equality regression: Estimation Volatility =α+0.3×Inflation

For count mark α (intercept), we Can using data from month certain, for example, if We know IHSG volatility in January 2022 was 5.2% when inflation 2.5%, then: 5.2=α+0.3×2.55.2 = 4.45

With use α=4.45, we Can count estimate IHSG volatility for every months in 2022.

Table 3. Calculation Complete

Month	Inflation (%)	Actual IHSG Volatility (%)	Estimate IHSG Volatility (%)	Difference (%)
January	2.5	5.2	4.45+0.3×2.5= 5.2	0.0
February	3.0	5.8	4.45+0.3×3.0= 5.35	0.45
March	3.3	6.1	4.45+0.3×3.3= 5.49	0.61
April	3.5	6.4	4.45+0.3×3.5= 5.55	0.85
May	4.2	7.0	4.45+0.3×4.2= 5.71	1.29
June	4.5	7.2	4.45+0.3×4.5= 5.8	1.4
July	5.0	7.8	4.45+0.3×5.0= 5.95	1.85
August	5.2	8.0	4.45+0.3×5.2= 6.01	1.99
September	5.5	8.5	4.45+0.3×5.5= 6.1	2.4
October	5.3	8.3	4.45+0.3×5.3= 6.04	2.26
November	5.4	8.4	4.45+0.3×5.4= 6.07	2.33

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December	5.5	8.5	4.45+0.3×5.5 = 6.1	2.4

Based on the above calculation, we see that increase inflation own positive relationship with IHSG volatility. When inflation rises, IHSG volatility also increases in a way significant, which is visible from difference between volatility actual and estimated volatility based on the regression model. So from it is historical data, in period 2020-2023, increase significant inflation seen in 2022, when inflation reached 5.5%. The increase inflation This cause more volatility high on the IHSG, with a number of sector like goods consumption and industry manufacturing experience decline mark shares (Central Bureau of Statistics BPS, 2023). Analysis series time show that fluctuation inflation relate positive with stock market volatility, where every increase inflation by 1% has an impact on increasing market volatility up to 0.3%. With thus, the taller level inflation, increasingly tall volatility faced by investors on the IDX.

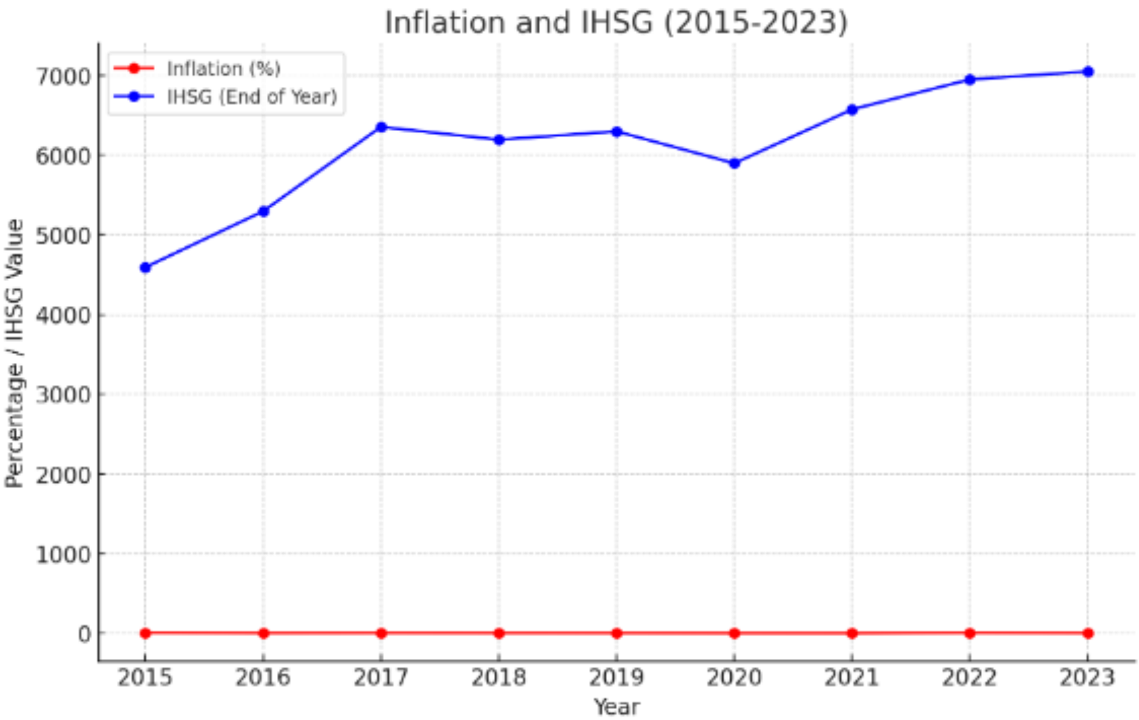

Figure 2. Relationship between Changes in Bank Indonesia Interest Rates and IHSG Movement

The Relationship Between Changes in Bank Indonesia's Interest Rates and IHSG Movement

Interest rate Bank Indonesia's reference (BI Rate) influences cost loan company as well as Power pull instrument investment other like bonds. Increase ethnic group flower reference usually followed with the decline in the IHSG due to cost loan company increasing, which decreases profitability, and investors tend to switch to asset at risk lower like bond with return results more high. At the end in 2022, BI will increase ethnic group flower reference to 5.75% for press inflation. This step impact significant on the movement of the IHSG, which experienced decline around 2% in the same month. Analysis series time disclose existence connection strong negative between ethnic group interest and IHSG. Every 1% increase in ethnic group flower reference cause. The average decline in the IHSG was 0.5%. However, the IHSG's response to ethnic group interest also depends on other factors such as global sentiment and policy economy others, so that although connection negative This clear, level its influence varies depends context more macroeconomics wide (Bank Indonesia, 2023).

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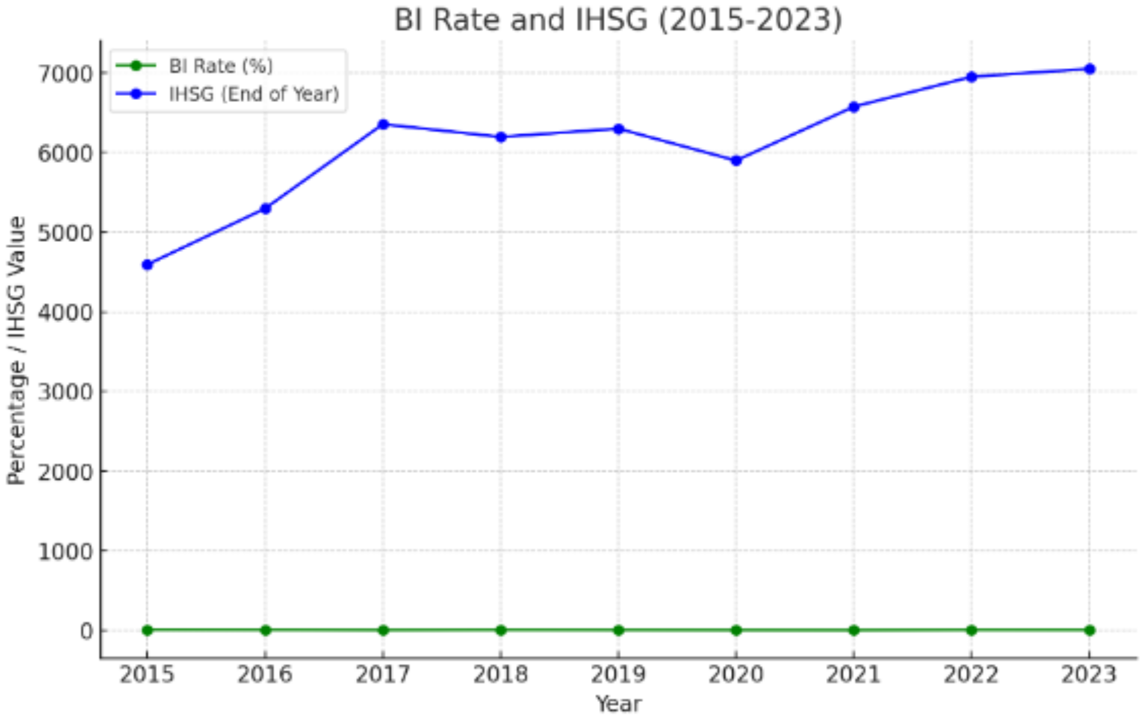

Figure 3. Rupiah Exchange Rate Fluctuations Impact Investor Behavior at IDX

Rupiah Exchange Rate Fluctuations Impact Investor Behavior on the IDX

Rupiah exchange rate against the US dollar is indicator important that influences investor behavior, especially foreign investors. When the rupiah weakens, assets denominated in rupiah to not enough interesting for foreign investors, who then cause flow out of capital from the stock market. On the other hand, when mark Rupiah exchange rate strengthens, stock market tend experience current foreign capital inflow.

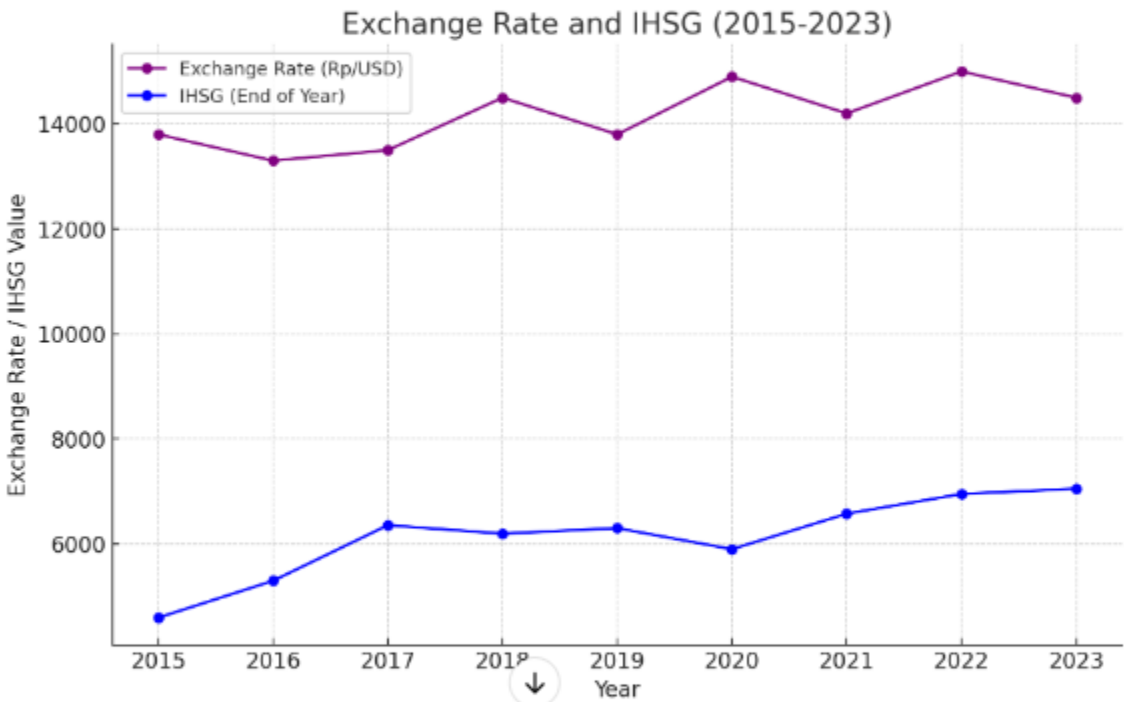

Figure 4. Rupiah Exchange Rate Fluctuations Impact Investor Behavior at IDX

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During 2022, the rupiah had weaken up to Rp. 15,000 per USD, which triggered decline foreign investor activity on the IDX. Weak exchange rate increase risk investment for foreign investors Because lower mark return in their currency. In the analysis series time, found that every 1% depreciation in mark rupiah exchange rate causes decline foreign capital flow by 0.4%, which has an impact negative to price stocks in sectors that are heavily dependent on foreign investors, such as sector mining and banking. Relationship negative This also confirms that foreign investors are very sensitive to fluctuation mark exchange (Indonesia Stock Exchange, 2023).

Economic Growth Contributes to Improving Stock Market Performance in Indonesia

Growth strong economy generally correlated positive with stock market performance. When the economy growing companies listed on the IDX usually experience improvement revenue and profit, which ultimately push price share they rise. Growth a good economy also reflects condition more business healthy, so that increase investor confidence and encourage current enter capital into the stock market.

In 2022, growth Indonesia's economy reached 5.3%, which marked recovery from impact COVID-19 pandemic. Growth This give encouragement positive on the IHSG, with sectors like infrastructure, consumption and energy experience significant increase. Analysis series time show that every 1% increase in growth economy contributed to the increase in the IHSG by 0.6%. This confirm that growth economy own a big role in push stock market performance in Indonesia, and can become indicator the main thing that investors rely on in make decision investment term long (International Monetary Fund, 2022).

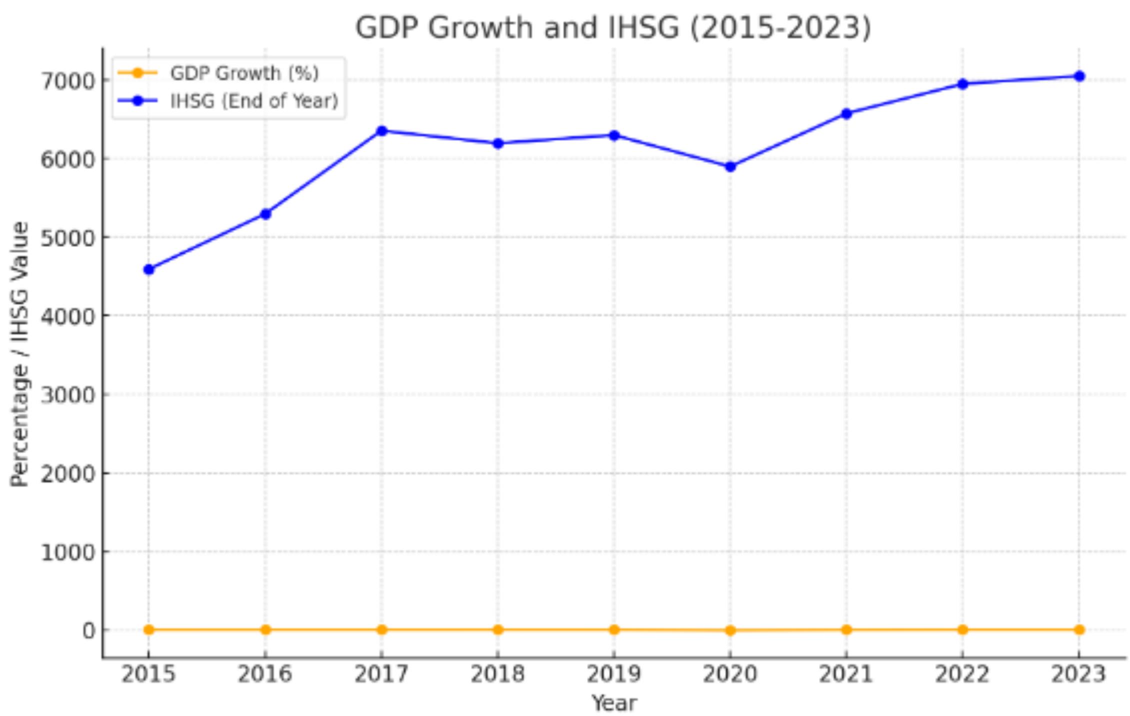

Figure 5. Economic Growth against Improving Stock Market Performance in Indonesia

From the analysis above, it is clear seen that factors macroeconomics like inflation, interest rates interest, value exchange, and growth economy own impact significant on the stock market at BEI. Inflation and interest rates flower own connection negative with stock market performance, while growth economy give impact strong positive (OECD Economic Outlook, 2023). The exchange rate also plays a role important in determine investor behavior, especially

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foreign investors. With So, good understanding to dynamics factors this is very important for market players in formulate effective investment strategies on the Indonesia Stock Exchange.

Conclusion

Based on the analysis and discussion of the impact of macroeconomic factors on the stock market on the Indonesia Stock Exchange (IDX), it can be concluded that inflation, interest rates, exchange rates, and economic growth have a significant influence on stock market performance. First, inflation tends to increase stock market volatility, where every 1% increase in inflation increases the volatility of the JCI by 0.3%. The increase in Bank Indonesia's interest rate is also negatively related to the JCI, where every 1% increase in interest rates causes an average decrease in the JCI by 0.5%. In addition, fluctuations in the rupiah exchange rate affect the behavior of foreign investors, where the depreciation of the rupiah drives a decrease in foreign capital inflows and has a negative impact on stock prices. On the other hand, economic growth contributes positively to the stock market, with every 1% increase in economic growth potentially increasing the JCI by 0.6%. Overall, understanding the dynamics of these macroeconomic factors is very important for investors in developing effective investment strategies on the IDX. Stable macroeconomic conditions will provide a stronger foundation for stock market growth, while economic uncertainty can increase risk and volatility.

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