

**INTEGRATION OF STOCK MARKETS BETWEEN INDONESIA AND  
ITS MAJOR TRADING PARTNERS  
Period of January 2016 – December 2018**

**ANALISIS INTEGRASI PASAR SAHAM ANTARA INDONESIA DAN  
MITRA PERDAGANGAN UTAMANYA  
Periode Januari 2016 – Desember 2018**



Written By:

**SUNAN PARAKITRI MURPRATOMO**

**20160430177**

**FACULTY OF ECONOMICS AND BUSINESS  
INTERNATIONAL PROGRAM FOR ISLAMIC ECONOMICS AND FINANCE  
MUHAMMADIYAH UNIVERSITY OF YOGYAKARTA**

**2020**

**INTEGRATION OF STOCK MARKETS BETWEEN INDONESIA AND  
ITS MAJOR TRADING PARTNERS  
Period of January 2016 – December 2018**

**UNDERGRADUATE THESIS**

In partial fulfilment for the requirement for the degree of Bachelor of Economics  
at International Program for Islamic Economics and Finance (IPIEF), Department  
of Economics, Faculty of Economics and Business.

Universitas Muhammadiyah Yogyakarta



Written By:

**SUNAN PARAKITRI MURPRATOMO**

**20160430177**

**FACULTY OF ECONOMICS AND BUSINESS  
INTERNATIONAL PROGRAM FOR ISLAMIC ECONOMICS AND FINANCE  
MUHAMMADIYAH UNIVERSITY OF YOGYAKARTA**

**2020**

## DECLARATION

Name : Sunan Parakitri Murpratomo

NIM : 20160430177

I hereby declare that this undergraduate thesis entitled “**INTEGRATION OF STOCK MARKETS BETWEEN INDONESIA AND ITS MAJOR TRADING PARTNERS Period of January 2016 – December 2018**” does not consist of any content that ever being proposed for any degree in other university, ideas of any research and publication of others, in exception all quotes and ideas which are purposely taken are **considered as the research references** and listed in the reference list. Therefore, if any violation of intellectual rights is found in this study, I agree to accept any relevant academic consequences.

Yogyakarta, March 17<sup>th</sup> 2020



Sunan Parakitri Murpratomo

## **MOTTO**

*“For indeed, with hardship [will be] ease.”*

*-Q.S. Ash-Sharh:5*

*“Someone's sitting in the shade today because someone planted a tree a long time ago”*

*-Warren Buffet*

*“I'm grinding 100% when you're sleeping”*

*-Gary Vaynerchuk*

## DEDICATION

*This precious Undergraduate Thesis I dedicate to my  
beloved family, Mama, Papa & Sultan.*

*Thank you for all the prayers and unconditional support.*



## ACKNOWLEDGEMENT

All Praise be to Allah SWT who has provided convenience, gifts, and grace in writing this undergraduate thesis entitled **“INTEGRATION OF STOCK MARKETS BETWEEN INDONESIA AND ITS MAJOR TRADING PARTNERS Period of January 2016 – December 2018”**

This undergraduate thesis is submitted as partial fulfillment to achieve Bachelor of Economics at Muhammadiyah University of Yogyakarta. The author takes this topic in the hope that it can provide suggestions on research object related to capital market integration.

The completion of this thesis is inseparable from the guidance and support of various parties, therefore on this occasion the author would like to express gratitude to all people and parties below:

1. Dean of the Faculty of Economics and Business, Muhammadiyah University of Yogyakarta who provides guidance and advice as long as the author completes the studies.
2. Dr. Imamudin Yuliadi, S.E., M.Si as my first supervisor for his guidance, understanding, patience and most importantly, also provided positive encouragement to finish this thesis. It has been a great pleasure and honor to have him as my supervisor.

3. Ibu Dyah Titis Kusuma Wardani, S.E., MDEC as my second supervisor who has guided, directed, and provided much inspiration to researchers in completing the writing of this thesis.
4. Dr. Dimas Bagus Wiranata Kusuma, S.E, M.Ec, CRM, CIB as Director of Internasional Program for Islamic and Finance (IPIEF) for all supports, advice, guidance.
5. My beloved parents, papa and mama who always give all the best prayers and unconditional love. My brother, Sultan who always encourage me in every occasion.
6. Eko Wukagani Zurdon P. and Bima Anggara Kurnia P, thank you for such being superb mentor and partner during my study. May both of you always in God's favor.
7. My classmates IPIEF batch 2016, especially Kos Belakang. My words cannot express my feelings, thank you.
8. My relatives at Kelompok Studi Pasar Modal (KSPM) UMY. I feel so grateful and had an outstanding journey with you all.

In addition, to people above and other people and parties out there which the author could not mention one by one. Thank you for giving me much supports and helps during the writing this undergraduate thesis.

Yogyakarta, March 17<sup>th</sup>, 2020



Sunan Parakitri Murpratomo

## TABLE OF CONTENT

TITLE PAGE .....	i
AUTHORIZATION PAGE .....	<b>Error! Bookmark not defined.</b>
ENDORSEMENT PAGE .....	<b>Error! Bookmark not defined.</b>
DECLARATION .....	<b>Error! Bookmark not defined.</b>
MOTTO .....	iii
DEDICATION .....	iv
INTISARI .....	<b>Error! Bookmark not defined.</b>
ABSTRACTS .....	<b>Error! Bookmark not defined.</b>
ACKNOWLEDGEMENT .....	v
TABLE OF CONTENT .....	vii
LIST OF TABLE .....	ix
LIST OF FIGURE.....	x
CHAPTER I.....	<b>Error! Bookmark not defined.</b>
A. Research Background .....	<b>Error! Bookmark not defined.</b>
B. Limitation of Study .....	<b>Error! Bookmark not defined.</b>
C. Research Problem .....	<b>Error! Bookmark not defined.</b>
D. Research Objective .....	<b>Error! Bookmark not defined.</b>
E. Research Benefit .....	<b>Error! Bookmark not defined.</b>
CHAPTER II.....	<b>Error! Bookmark not defined.</b>
A. Theoretical Basis.....	<b>Error! Bookmark not defined.</b>
B. Previous Research.....	<b>Error! Bookmark not defined.</b>
C. Hypothesis.....	<b>Error! Bookmark not defined.</b>
D. Research Model .....	<b>Error! Bookmark not defined.</b>
CHAPTER III .....	<b>Error! Bookmark not defined.</b>
A. Research Objective .....	<b>Error! Bookmark not defined.</b>
B. Type and Data Sources .....	<b>Error! Bookmark not defined.</b>
C. Data Collection Techniques .....	<b>Error! Bookmark not defined.</b>
D. Analysis Method .....	<b>Error! Bookmark not defined.</b>
E. Operational Definitions of Research Variables.....	<b>Error! Bookmark not defined.</b>



CHAPTER IV .....	<b>Error! Bookmark not defined.</b>
A. General Description of Independent Variables .....	<b>Error! Bookmark not defined.</b>
B. General Description of Dependent Variable .....	<b>Error! Bookmark not defined.</b>
CHAPTER V .....	<b>Error! Bookmark not defined.</b>
A. Causality Test and Data Instruments .....	<b>Error! Bookmark not defined.</b>
B. Interpretation of VECM (Vector Error Correction Model) Estimation Results	<b>Error! Bookmark not defined.</b>
	<b>Error! Bookmark not defined.</b>
CHAPTER VI .....	<b>Error! Bookmark not defined.</b>
A. Conclusion .....	<b>Error! Bookmark not defined.</b>
B. Suggestion .....	<b>Error! Bookmark not defined.</b>
C. Limitation of Research .....	<b>Error! Bookmark not defined.</b>
APPENDIX .....	<b>Error! Bookmark not defined.</b>

## LIST OF TABLE

Table 1.1 Export and Import Performance of Non Fuel Section .....	4
Table 2.1 Result of Previous Research .....	27
Table 5.1 Result of ADF Test of Level.....	53
Table 5.2 Result of ADF Test of First Difference .....	55
Table 5.3 Result of Optimum Lag .....	57
Table 5.4 Johansen's Cointegration Test Result.....	58
Table 5.5 Result of VECM Stability Test .....	59
Table 5.6 Granger Causality Test .....	61
Table 5.7 Result of VECM in Short Run.....	67
Table 5.8 Result of VECM in Long Run .....	69
Table 5.9 VDC Result of JCI.....	77

## LIST OF FIGURE

Figure 1.1 Indices Movement of DJIA, SCI, N225, STI and JCI.....	7
Figure 2.1 Research Model .....	33
Figure 5.1 Shock Response JCI-DJIA .....	72
Figure 5.2 Shock Response JCI-SCI.....	73
Figure 5.3 Shock Response JCI-N225 .....	74
Figure 5.4 Shock Response JCI-STI.....	75

