

**FACTORS AFFECTING BULLISH IHSG
IN COVID 19 PANDEMIC CONDITIONS**

Yulis Nurul Aini^{1*}, Ludfi Djajanto², Baroroh Lestari³, Maskur⁴

¹⁻⁴Politeknik Negeri Malang

E-mail: ¹⁾ yulismurulaini@polinema.ac.id

Abstract

The outbreak of the Covid-19 pandemic in early 2020 had profound and far-reaching impacts on global economies and financial markets. As countries implemented lockdowns, travel restrictions, and various other measures to curb the spread of the virus, financial markets experienced unprecedented volatility. The stock markets, in particular, exhibited fluctuations that were both dramatic and complex, challenging traditional understanding and analysis. This study aims to examine the factors influencing the bullish movement of the Composite Stock Price Index (CSPI) during the Covid-19 pandemic. Drawing data from reputable sources such as the Indonesia Stock Exchange, The Central Bureau of Statistics, and Bank Indonesia, the research focuses on monthly records of the CSPI, inflation rates, and interest rates. Employing multiple regression analysis as the analytical tool, the study explores the intricate relationships between these variables. The findings present intriguing insights into the interplay between economic factors and stock market behavior. Notably, the research reveals a positive and statistically significant link between inflation and the bullish movement of the CSPI amidst the Covid-19 context. This suggests that rising inflation rates are associated with an upward trend in the CSPI. Conversely, the study uncovers a negative correlation between interest rates and the bullish trajectory of the CSPI during the pandemic. Higher interest rates are found to curtail the bullish movement of the index. This study contributes to a deeper understanding of the financial dynamics during challenging periods, offering valuable insights for investors, analysts, and policymakers seeking to navigate the complexities of the stock market amid Covid-19.

Keywords: Bullish Movement, Composite Stock Price Index, Covid-19

1. INTRODUCTION

COVID-19, a rapidly spreading global pandemic, has affected countries worldwide within a matter of months. This outbreak has led to numerous fatalities and cases, with as of August 30, 2020, over 72 countries reporting more than 20,000 cases and 1,000 deaths. Countries facing this pandemic include China, Indonesia, the United States, Russia, Brazil, India, Saudi Arabia, Israel, among others. The economic repercussions of COVID-19 have been felt by nations across the globe, including Indonesia. The pandemic has had adverse effects on Indonesia's economy, such as reduced investor sentiment causing the market to move in a negative direction. The sluggish global economy has also impacted Indonesia's economic growth, leading to a decline in the Indonesia Stock Exchange (IDX) Composite Stock Price Index (IHSG). IHSG reflects the performance of all listed stock prices on the IDX. A declining IHSG indicates a bearish trend, while a continuous increase signifies a bullish trend.

In 2020, IHSG exhibited fluctuations. From June to the end of August 2020, IHSG experienced a price increase of around 5,371 points. The surge in COVID-19 cases in Jakarta contributed to a decline in IHSG. During September 2020, IHSG experienced two drops, reaching 4,870 points, a decrease of 9.34% from its highest point. This indicates a year-to-date decline of 22.5%. Indonesia's Capital Market began its recovery in 2021 after experiencing performance declines in 2020 due to the pandemic. IHSG demonstrated positive growth in 2021, reaching 6,581.5 points, a 10.1% increase year over year (YoY) following the pandemic-induced slump in 2020. The total market capitalization of stocks by the end of the year amounted to IDR 8,255.62 trillion, marking an 18.4% YoY increase. Investor development in 2021 exhibited substantial growth, with the total number of investors in the Indonesian Capital Market reaching 7.49 million, a growth of around 93% YoY. Stock investors in 2021 surged by 103.6% YoY, totaling 3.45 million investors.

Towards the end of December 2022, the Indonesian stock market experienced a decline. The Composite Stock Price Index (IHSG) decreased to 6,800.673 from the previous month's level of 6,812.193, a decrease of 0.17%. This decline was attributed to many foreign investors selling stocks, with net sales amounting to IDR 773.72 billion and net purchases of IDR 63.969 trillion throughout 2022. The transaction volume in 2022 decreased by 18.105 billion shares, a 36.63% decrease. The average daily market transaction also saw a decrease of IDR 10.576 trillion from IDR 15.194 trillion, representing a 30.40% change.

IHSG's fluctuations are influenced not only by the COVID-19 pandemic but also by several macroeconomic variables. These include inflation, interest rates, and exchange rates. The Central Bank Rate (SBI) is the interest rate on securities denominated in Indonesian Rupiah issued by Bank Indonesia. Inflation signifies the continuous increase in the general price level of goods and services over a specific period. Exchange rates denote the value of one country's currency compared to another's. Exchange rates have a positive influence on IHSG movement, while the SBI interest rate and inflation have a negative impact on IHSG movement (Tambunan, 2021). The SBI interest rate, exchange rate, and inflation collectively have a positive and significant impact on the Composite Stock Price Index (IHSG). However, the SBI interest rate and inflation individually have a negative and insignificant impact on IHSG. Exchange rates individually have a negative and significant impact on IHSG movement (Paryudi, 2021).

The gap in previous research lies in the differing findings among studies conducted by (Tambunan, 2021) and (Paryudi, 2021). While Tambunan indicates a positive effect of exchange rates on IHSG movement, Paryudi's research shows that exchange rates have a negative and insignificant impact on IHSG. Based on these divergent findings, the author is motivated to investigate the impact of macroeconomic variables on IHSG.

In light of the aforementioned factors and the conflicting results from prior research, the objective of this study is to examine and analyze the various factors that contribute to the bullish movement of the Indonesia Stock Exchange Composite Stock Price Index (IHSG) during the challenging circumstances brought about by the COVID-19 pandemic. Through a systematic investigation, this research aims to identify and understand the key determinants and drivers that lead to positive trends in the IHSG amidst the pandemic's economic disruptions.

2. LITERATURE REVIEW

The research conducted by (Khan, 2018) focuses on stock prices in Karachi's macroeconomics, including money supply or inflation, interest rates, and exchange rates. The conclusion is that variables like money supply or inflation, interest rates, and exchange rates significantly affect long-term stock prices in Karachi. A relevant prior study to this research was carried out by (Tambunan, 2021), focusing on the Composite Stock Price Index (IHSG), inflation, exchange rates, and SBI interest rates. The conclusion is that the independent variables of inflation and interest rates have a negative and significant effect on the Composite Stock Price Index (IHSG). The exchange rate variable has a positive effect on the IHSG.

Another study conducted by (Paryudi, 2021) focuses on Exchange Rates, SBI Interest Rates, inflation, and the Composite Stock Price Index (IHSG) on the Indonesia Stock Exchange. The conclusion is that exchange rates have a negative and insignificant effect on the IHSG. While a study by (Aditya Prasad Sahoo, 2020) centers on BSE SENSEX, Dow Jones Average (DJIA), inflation, GDP, and Interest Rates. The conclusion is that macroeconomic variables such as interest rates and inflation do not have a significant effect on BSE SENSEX (India), and the important variable is GDP. Macroeconomic variables, including interest rates, inflation, and GDP, do not affect DJIA stock prices. These macroeconomic variables, when considered simultaneously, have a positive effect on both BSE SENSEX (India) and DJIA (America).

2.1. Stock Market Indices

Indices play a significant role in the capital market (Jogiyanto, 2017). An index is needed as an indicator to observe the price movements of securities. Types of stock market indices include firstly, the Composite Stock Price Index (CSPI). CSPI covers the price movements of both common and preferred stocks. CSPI was first introduced on April 1, 1983, with a baseline date of August 10, 1982. Secondly, the LQ 45 Index is formed from the 45 most actively traded stocks. Thirdly, the Kompas 100 Index contains 100 stocks categorized as having good liquidity, high market capitalization, strong fundamentals, and good company performance.

Investors placing their funds in the capital market must conduct economic analysis. This economic analysis (Eduardus, 2017) is necessary due to a strong connection between the macro environment and capital market performance. The capital market reflects macroeconomic conditions since investment value is formed by expected cash flows and required returns. Fluctuations in the Indonesian capital market are influenced by macroeconomics, including inflation and SBI interest rates. The relationship between inflation and the movement of the Composite Stock Price Index (CSPI) is that a relative increase in inflation signals negatively in the capital market. Inflation increases company income and costs. The relationship between interest rates and CSPI movement is that high interest rates signal negatively for stock prices.

2.2. Influence of SBI Interest Rates on CSPI

Bank Indonesia defines BI rate as the policy interest rate reflecting the monetary policy stance set by Bank Indonesia and announced to the public. The BI rate functions as a monetary policy implemented in monetary operations conducted by Bank Indonesia through liquidity management in the money market to achieve operational monetary policy goals. A very high interest rate affects present value, company cash flows, and

makes existing investment opportunities unattractive. Furthermore, high interest rates lead to increased company costs and higher required returns for investors (Eduardus, 2017). High interest rates are a negative signal for stock prices. This can be explained by the fact that rising interest rates lead to an increase in the required return on equity investments. Additionally, rising interest rates might lead investors to withdraw investments from stocks and move them to savings or deposits.

2.3. Influence of Inflation on CSPI

(Eduardus, 2017) states that high inflation rates are usually associated with an overheated economy. This can be interpreted as an economy facing demand for products that exceeds their supply capacity, leading to price increases. High inflation reduces real investor income from their investments. Moreover, a relative increase in inflation is a negative signal in the capital market. Inflation increases company income and costs. If the increase in production costs is higher than the increase in prices that companies can enjoy, company profitability will decrease. This decrease in profitability will influence stock prices.

3. RESEARCH METHODS

The research employed a quantitative descriptive methodology. This approach involves collecting and analyzing numerical data to provide a clear description of the influence of SBI Interest Rates and inflation on the Composite Stock Price Index (CSPI) during bullish market conditions. The focus of the study was on the Composite Stock Price Index (CSPI) during the period of bullish market conditions amid the COVID-19 pandemic. The data utilized for this research consisted of monthly stock closing prices spanning the years 2020 to 2022. The CSPI data during the bullish market phase was directly obtained from the Indonesia Stock Exchange (www.idx.co.id).

Data measurement in this study involved monthly SBI Interest Rate figures adjusted to match the CSPI conditions during the bullish market phase. The interest rate data was directly sourced from the Bank Indonesia website (www.bi.go.id). Similarly, monthly inflation data, adjusted to match the CSPI during bullish market conditions, was also obtained from the same source, the Bank Indonesia website (www.bi.go.id). In this study, the Consumer Price Index (CPI) was utilized as a common indicator to measure inflation. Changes in the CPI over time reflect the movement of prices of various goods and services consumed by the public.

Using the quantitative descriptive methodology, this research generated an in-depth analysis of the influence of SBI Interest Rates and inflation on CSPI during bullish market conditions. The collected and analyzed data provided a better understanding of how these variables are interrelated and impact the movement of CSPI during that period. The conclusions drawn from this research can be generalized to understand the impact of SBI Interest Rates and inflation on CSPI during bullish market conditions, offering deeper insights to investors and market participants in making investment decisions.

4. RESULTS AND DISCUSSION

4.1. Research Result

4.1.1. Multiple Regression

Table 1. Multiple Regression Calculation Results

Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta
(Constant)	8598,863	639,105	
Inflation	490,752	71,117	,872
SBI	-941,550	180, 133	-,661

The data obtained is analyzed using regression and calculated using the SPSS 24 program. Table above is the results of the multiple regression used to analyze the effect of the two independent variables, inflation and interest rates on the JCI during the bull market in covid 19.

Based on table 1, the multiple linear regression equation is as follows

$$\text{JCI} = 8598.863 + 490.752X_1 (\text{inflation}) - 941.550 X_2 (\text{SBI}) + e$$

Based on the model above, it can be concluded that the inflation variable has a positive effect on the JCI during a bullish market in Covid 19. The effect of this positive inflation variable can be interpreted that any increase in the inflation variable will increase the value of the JCI in the bullish market in Covid 19. Another conclusion is that the interest rate variable has a negative effect on the JCI during the bullish market in Covid 19. This negative effect of the interest rate variable means that any increase in the interest rate variable will cause a decrease in the value of the JCI in the bullish market in Covid 19.

4.1.2. Partial Test (T Test)

Table 2. Partial Test Results

Model	T	Sig
(Constant)	13,455	,000
Inflation	6,901	,000
SBI	-5,227	,000

Based on Table 2, the inflation and interest rate variables show a value below 5%, namely for inflation with a significance of 0.000 and interest rates with a significance of 0.00 Thus, the inflation and interest rate variables have a significant effect on HSG during bullish conditions in Covid 19.

4.1.3. Simultaneous Test (F Test)

Table 3. F Test Results

Model	Sum Of Squares	Df	Mean Square	F	Sig
Regression	14257648,870	2	7128824,433	25,783	,000b
Residual	9124119,660	33	276488,475		
Total	23381768,530	35			

Table 3 shows that the independent variables, namely inflation and interest rates, simultaneously have a significant influence on the variable JCI in Bullish conditions in the Covid 19 era. The significance of this effect is obtained by the calculated F value of 25.783 with a significant level of 0.000. The significance value is smaller than 0.05 so it can be used in estimating the JCI or it can be concluded that the inflation and interest rate variables simultaneously affect the JCI in Bullish conditions in the Covid 19 era.

4.1.4. Coefficient of Determination Test (R²)

Table 4. Results of the Coefficient of Determination (R²)

Model	R	R Square	Adjusted R Square	Std Error of the Estimate
1	,0781	,610	,586	525,8217

Based on the calculation results in table 4, it shows that the Adjusted R2 value is 0.586, this can be interpreted that the inflation and interest rate variables influence the JCI Bullish conditions in the Covid 19 era by 58.6 percent and the remaining 41.4 percent is influenced by other variables not included in the multiple regression model.

4.1.5. Normality Test

Several normality test methods, namely by looking at the distribution of data on the diagonal source on the Normal P-P Plot of regression standardized residual graph or with the One Sample Kolmogorov Smirnov test (Rochmat Aldy, 2016). The results of the normality test can be seen in the following figure.

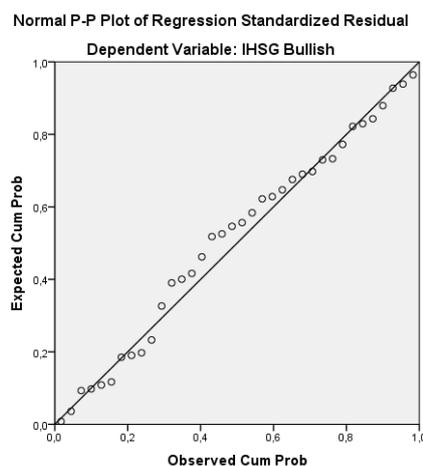


Figure 1. Normality Test Results

Based on Figure 1, it shows that the diagonal graph has a spread of data patterns on the Normal P-P Plot of regression standardized residual graph. Thus, it can be concluded that the regression capital is good and has a normally distributed residual value.

4.1.6. Multicollinearity Test

Table 5. Multicollinearity Test Results

Model	Collinearity Tolerance	Statistic VIF
Constant		
Inflation	,740	1,351
SBI	,740	1,351

Based on table 5 shows the results of the Variance Inflation Factor (VIF) value for all independent variable values, namely inflation and interest rates (SBI) of 1.351. The VIF value of 1.351 has a VIF value far below 10. This indicates that this regression model does not occur multicollinearity.

4.1.7. Autocorrelation Test

Table 6. Autocorrelation Test Results

Model	R	R Square	Adjust R Square	Durbin Watson
1	,781	,610	,586	1,590

Based on table 6 shows the Durbin Watson value of 1.590 with the number $N = 36$ and $K = 2$. Based on the Durbin Watson Table with 5% confidence is $dl = 1.3537$; $du = 1.5872$; $4-dl = 1.2358$; $4-du = 1.7245$. The calculated Durbin Watson result is 1.590, this value lies between du and $4-du$, so this regression does not show autocorrelation.

4.2. Discussion

4.2.1. The Influence of Inflation on Bullish IHSG During Covid-19

The results of calculations and analysis indicate that inflation has a significant positive impact on the Bullish IHSG during the Covid-19 period. The partial test (T-test) was used to determine the influence of the independent variable on the dependent variable. The partial test shows a significance value of 0.000 below the 5% tolerance level. The findings of this research are in line with the study conducted by (Khan, 2018) on the subject of stock prices in Karachi's macroeconomics, which includes money supply or inflation, interest rates, and exchange rates. The conclusion is that variables like money supply or inflation, interest rates, and exchange rates significantly impact stock prices in Karachi in the long term.

4.2.2. The Influence of Interest Rates (SBI) on Bullish IHSG During Covid-19

The results of calculations and analysis indicate that interest rates have a significant negative impact on the Bullish IHSG during the Covid-19 period. The partial test (T-test) was used to determine the influence of the independent variable on the dependent variable. The partial test shows a significance value of 0.000 below the 5% tolerance

level. These findings are consistent with the study conducted by (Tambunan, 2021) on the subject of the Composite Stock Price Index (IHSG), inflation, exchange rates, and SBI interest rates. The conclusion is that the independent variables of inflation and interest rates have a significant negative impact on the Composite Stock Price Index (IHSG). The exchange rate variable has a positive impact on the Composite Stock Price Index (IHSG).

5. CONCLUSION

The analysis and discussion outcomes reveal that inflation has a noteworthy positive effect on the Bullish IHSG during the Covid-19 phase. Similarly, interest rates exert a significant adverse impact on the Bullish IHSG within the Covid-19 timeframe. Furthermore, collectively, both inflation and interest rates concurrently exhibit a considerable influence on the IHSG under Bullish circumstances throughout the Covid-19 era.

As guidance for prospective investors and those already engaged in investments, it is highly advisable to thoroughly evaluate the macroeconomic conditions before making decisions regarding investment options. Specifically, giving careful consideration to elements such as inflation and interest rates, and closely tracking the fluctuations of the Composite Stock Price Index (IHSG), holds crucial importance. These macroeconomic factors significantly shape stock market performance, particularly within the context of a favorable market during the Covid-19 pandemic. By comprehending and preemptively responding to these variable trends, investors can make more informed and strategic investment choices.

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