

Analysis of the Influence of World Oil Prices, World Gold Prices, Dow Jones Industrial Average Index, and Rupiah Exchange Rate on the Composite Stock Price Index on the Indonesia Stock Exchange

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ARTICLE INFO

Keywords: World Oil Price, World Gold Price, Dow Jones Industrial Average, Rupiah Exchange Rate, Composite Stock Price Index

Received : 16, September

Revised : 30, September

Accepted: 27, October

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ABSTRACT

This study is intended to test and demonstrate the influence of world oil prices, world gold prices, the Dow Jones Industrial Average (DJIA) index, and the exchange rate on the Composite Stock Price Index (IHSG) on the Indonesia Stock Exchange. The data were collected over a 10-year period, resulting in a sample of 41 quarters, each consisting of monthly closing prices of world oil, world gold, the DJIA index, the Rupiah exchange rate, and the IHSG, taken from the period 2015–2025. The data were processed using multiple linear regression analysis with EViews as the statistical analysis tool. The results of the study indicate that world oil prices, world gold prices, the DJIA index, and the Rupiah exchange rate simultaneously have a significant effect on the IHSG as the dependent variable during the 2015–2025 period.

INTRODUCTION

Investment plays a crucial role in promoting a country's economic growth. Through investment, a capital accumulation process occurs, enabling an increase in production capacity, job creation, and national income growth (Todaro & Smith, 2015). In the context of a modern economy, investment is also one of the main indicators of market participants' confidence in a country's macroeconomic conditions and financial stability (Sukirno, 2016).

In addition to playing an important role in the national economy, investment provides direct benefits for individuals. According to Tandelilin (2017), investment for individuals functions as a means to manage wealth by allocating funds into productive assets that can generate future income. Through investment, individuals can protect the value of their wealth from inflation, obtain capital gains, and achieve long-term financial goals such as education funds, retirement, and financial security.

The economic development of a country serves as a benchmark for its economic performance. When there is an increase in economic activity, the country is said to be experiencing economic growth. Referring to the Harrod-Domar theory, it is stated that a country's economic urgency requires investment as additional capital that can be accumulated into increased production, which in turn leads to higher income. This becomes the foundation for a country to facilitate access for economic actors in carrying out activities related to investment. One of the ways is by providing a platform that connects economic actors with excess funds to provide capital to those who need it, resulting in the establishment of the capital market.

In practice, many factors can influence the level of investment in a country, including both microeconomic and macroeconomic aspects, which ultimately create high uncertainty in the stock market. When the IHSG experiences pressure due to negative global sentiment and restrictions on economic activities, it may decline. To maintain the stability of a country's stock value, the government can implement stimulus measures to attract investors and formulate policies that support businesses to go public on the Indonesia Stock Exchange (IDX). Global phenomena can have a domino effect on investment activities.

The quarterly time-series data of the IHSG over a 10-year period from the first quarter of 2015 to the first quarter of 2025 shows substantial volatility. The index fluctuates continuously without a clear upward or downward trend, reflecting the stock market's high sensitivity to global economic dynamics. During this period, the highest point was reached in the third quarter of 2024 at 7,527.93, before declining again through the first quarter of 2025.

This pattern coincides with several episodes of global economic turmoil. For instance, the 2015 Chinese economic crisis triggered a decline in the IHSG from the first to the third quarter of 2015, with the sharpest drop occurring in Q3 2015 at 4,223.91 the lowest level recorded over the past ten years. Although the IHSG also experienced a significant fall in the first quarter of 2020 to 4,538.93 due to the COVID-19-induced uncertainty and global economic disruption, the 2015 decline remained the most severe.

These conditions illustrate how global crises tend to pressure investors both foreign and domestic prompting them to shift their assets into instruments perceived as safer due to heightened risk aversion.

investing.com (2025). Present the quarterly movement of the Dow Jones Industrial Average (DJIA) over a 10-year period from the first quarter of 2015 to the first quarter of 2025. Similar to the IHSG, the DJIA recorded its lowest point in the third quarter of 2015 at 16,284.70. Meanwhile, its highest level was reached in the fourth quarter of 2024 at 42,544.22.

Both the IHSG and DJIA experienced their lowest levels in Q3 2015 due to a global economic disruption triggered by the economic crisis in China the world's second-largest economy which at the time experienced a significant slowdown. The spillover effects were felt in Indonesia as well as in other countries, including the United States.

The DJIA continued to fluctuate over the past decade. A notable decline also occurred in the first quarter of 2020 during the onset of the COVID-19 pandemic. Although the index value during this period did not fall as low as in Q3 2015, the first quarter still experienced a decline of 0.23% over the 10-year observation period.

Changes in investment can also be triggered by other macro indicators, such as global oil prices. Oil is an essential commodity economically, politically, and strategically, holding a critical position in the global energy balance due to its uneven distribution (Basundoro, 2017). As a major commodity in the global economy, oil prices affect not only the energy sector but also contribute to movements in the capital market. For example, an increase in oil prices may support higher profits for mining companies listed on the IDX, thereby attracting more investors to the sector (Asmara, 2018). Thus, fluctuations in crude oil prices can influence the capital market and impact export and import activities. One of the benchmarks commonly used to observe global oil prices is the West Texas Intermediate (WTI) from the United States.

The quarterly global crude oil prices over the past ten years have demonstrated persistent fluctuations. These fluctuations were largely driven by various geopolitical tensions worldwide. Beginning in 2015, oil prices continued to decline until the first quarter of 2016, with the lowest point recorded in the fourth quarter of 2015 at USD 37.30 per barrel. This drop was caused by a global oil oversupply, which resulted from advances in fracking technology, the lifting of international sanctions on Iran, and OPEC's refusal to cut production. The economic slowdown in China further contributed to the decline in global oil prices. It was not until 2017, when OPEC+ began implementing production cuts, that oil prices started to rise again.

The stagnation of economic activity due to the COVID-19 pandemic also had a significant impact, as oil inventories were left undistributed. This situation forced OPEC to reduce production in order to stabilize prices, leading to a gradual recovery. The global oil price further strengthened as vaccine distribution resumed economic operations, causing oil prices to rebound from their lowest levels.

Oil prices reached their highest point in the third quarter of 2020 at USD 85.90 per barrel due to Russia's invasion of Ukraine, which restricted oil supply and pushed prices upward. In response, OPEC increased output, causing oil prices to decline again. Nevertheless, prices continued to fluctuate up to the first quarter of 2025.

In such conditions, investors tend to shift their investments from stocks to gold, which can trigger selling pressure in the stock market, including the IHSG. Over the past ten years, global gold prices have fluctuated but generally shown an upward trend. Unlike the IHSG, DJIA, oil prices, or exchange rates, gold prices have tended to strengthen year after year.

Global gold prices reached their lowest point at USD 1,060.00 per troy ounce in Q4 2015, when the US dollar index was strengthening, putting downward pressure on gold in the global market. Meanwhile, the highest price was recorded in the fourth quarter of 2024 at USD 3,400.00 per troy ounce. Heightened geopolitical tensions across various countries have reinforced gold's position as a safe haven asset for wealth preservation.

The exchange rate reflects the strength of the domestic currency in purchasing foreign currencies (Panjaitan, Purba, & Damanik, 2021). Based on official data published by Bank Indonesia, the Rupiah-to-US Dollar exchange rate has fluctuated over the past ten years. These fluctuations are influenced by various factors, including geopolitical instability both domestically and internationally, which can have a domino effect on the Rupiah.

Over the last decade, the weakest position of the Rupiah occurred in Q1 2025, reaching 16,566.00 per USD. Political uncertainty in Indonesia during this period caused investors to delay capital placements, leading to capital pressure and currency depreciation. Additionally, the Federal Reserve's persistent high interest rate policy contributed to this weakening.

Conversely, the strongest point of the Rupiah was recorded in Q3 2016 at 12,988.00 per USD. At that time, the global environment was relatively stable, and Indonesia offered comparatively high bond yields versus developed countries, which strengthened the currency.

LITERATURE REVIEW

Stocks

Stocks can be defined as securities that represent ownership of a company issuing the shares (Paningrum, 2022). A company that issues shares is referred to as an issuer (emiten). As proof of ownership in a company, investors expect returns from their investment activities. Purchasing stocks can be interpreted as allocating capital that will later be managed by the company's management for its operational activities (Suratna, Widjanarko & Wibawa, 2020).

At the end of the fiscal year, a General Meeting of Shareholders (GMS/RUPS) is held if the company generates net profit or dividends. The net profit will be distributed to shareholders proportionally based on their ownership. In addition to dividends, investors also have the opportunity to obtain capital gains. Capital gains occur when the selling price of a share exceeds its purchase price. Conversely, if the selling price is lower than the purchase price, a capital loss will occur.

Dow Jones Industrial Average (DJIA)

The Dow Jones Industrial Average (DJIA) is one of the major stock indices in the United States. Commonly referred to as the Dow 30, this index comprises 30 large publicly traded companies listed on the New York Stock Exchange (NYSE) and Nasdaq. As one of the oldest stock indices in the U.S. market, the DJIA frequently becomes a key reference point for global investors.

The index was established in 1896 by Charles Dow, together with Edward Jones and Charles Bergstresser from whom its name is derived. Initially, the index consisted of only 12 major industrial companies. However, in 1928, it was expanded to 30 companies to better reflect changes in the U.S. economy, particularly the significant expansion of the industrial sector in areas such as energy, manufacturing, and automotive. This expansion was intended to produce a broader and more accurate representation of market performance.

Exchange Rate

The exchange rate can be defined as the amount of domestic currency, expressed in Rupiah, required to obtain one unit of foreign currency (Veritia et al., 2019). According to Mankiw, the exchange rate often referred to as foreign exchange is an agreed-upon price level between residents of two countries engaged in trade with each other. Similarly, Sukirno (2016) explains that the exchange rate represents the value of Indonesia's currency, expressed in Rupiah, which indicates its purchasing power relative to foreign currencies. Due to this interrelation, exchange rates play an important role in influencing capital flows, investment activities, and international trade.

World Crude Oil Price

Global crude oil prices fluctuate due to various factors such as geopolitical conditions, global supply and demand, and energy policies. Several benchmarks are commonly used to assess global crude oil prices, including West Texas Intermediate (WTI), Brent Crude, Dubai Crude, and the OPEC Reference Basket.

WTI, which is traded on the New York Mercantile Exchange (NYMEX) under the CME Group and primarily produced in Texas, Louisiana, and North Dakota, is considered a major global benchmark due to its low sulfur content (less than 0.5%) and light density (API gravity of 39.6), classifying it as light sweet crude. Brent Crude, which serves as a reference for two-thirds of global oil transactions, is widely used in Europe, Asia, and Africa due to its high liquidity and forward pricing system, making it more transparent and flexible compared to OPEC-controlled oil. With an API gravity of around 38°, Brent is easily refined into high-quality fuels such as gasoline, diesel, and jet fuel, making it attractive to global refineries.

Dubai Crude is used as a benchmark for Middle Eastern oil exports to Asia since 1980 through a pricing system that combines swap futures and actual spot contracts. Meanwhile, the OPEC Reference Basket (ORB) represents the average price of crude oil produced by OPEC member countries and serves as an international benchmark alongside Brent and WTI, although its price is generally lower due to lower quality and the need for more extensive refining.

World Gold Price

The world gold price is determined by gold transactions conducted on international spot markets and futures exchanges such as the London Bullion Market and the Commodity Exchange (COMEX). Gold prices are quoted in USD per troy ounce, which also serves as the standard reference unit for global gold trading and investment. The global gold trading platform formed by the London Metal Exchange (LME) sets benchmark gold prices twice a day, at 10:30 (referred to as the Gold A.M. price) and at 15:00 (referred to as the Gold P.M. price).

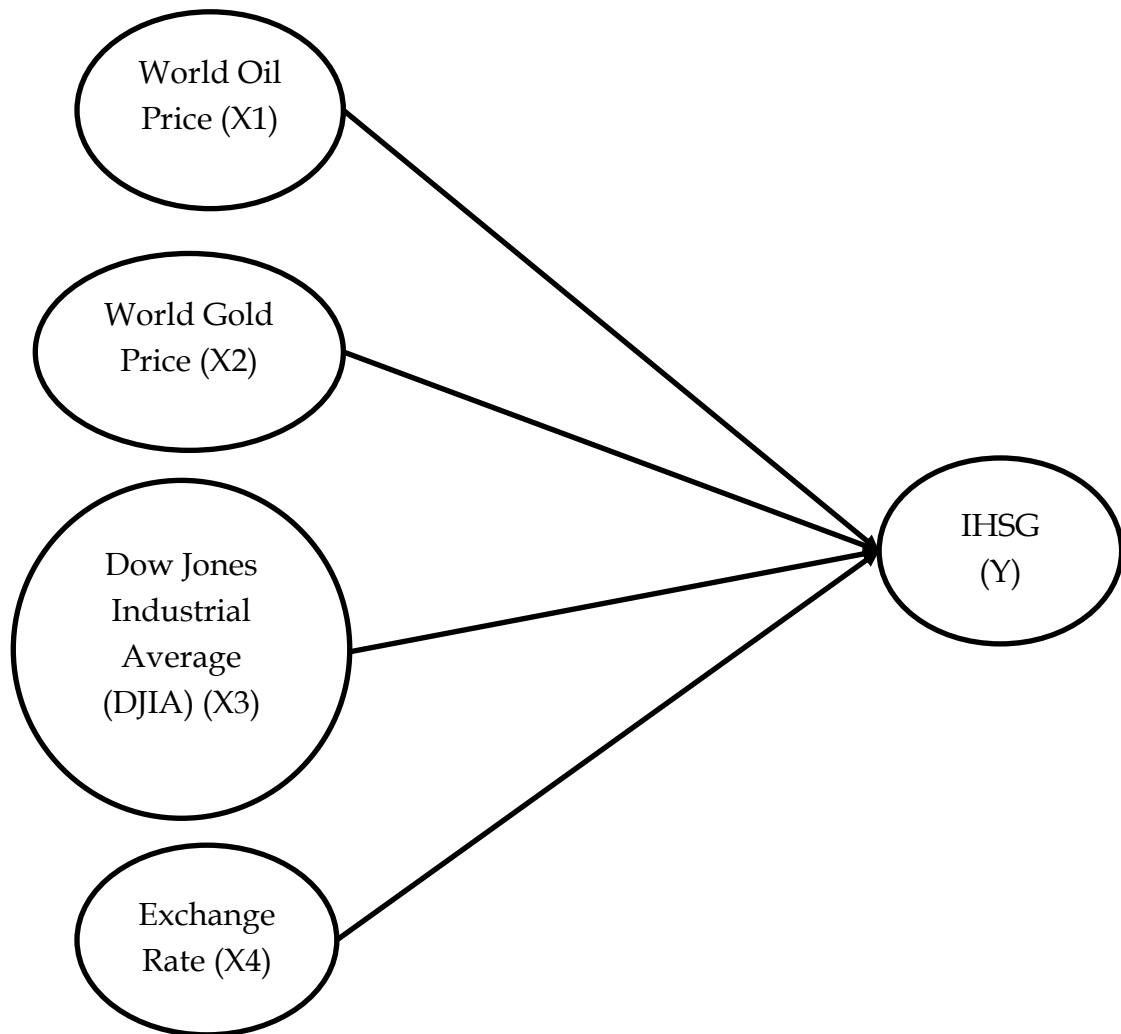


Figure 1. Conceptual Framework

METHODOLOGY

This study employs a quantitative research approach in order to examine the influence of macroeconomic variables on the Composite Stock Price Index (IHSG). The research utilizes quarterly time-series secondary data collected from official and publicly accessible sources, including the Indonesia Stock Exchange (IDX), Bank Indonesia, Investing.com, Oilprice.com, and Goldprice.org, covering the period from Q1 2015 to Q1 2025. The variables used in this study consist of four independent variables world oil price (X1), world gold price (X2), the Dow Jones Industrial Average index (X3), and exchange rate (X4) and one dependent variable, namely the IHSG (Y). Operational definitions are established to ensure accurate measurement of each construct based on standardized international indicators. A total of 41 quarterly observations were obtained through purposive sampling of macroeconomic data consistent with the required timeframe and availability criteria. Data collection techniques include documentation and literature review from previous studies, statistical reports, and official online publications. The data were analyzed using EViews software through descriptive statistics, classical assumption testing, and multiple linear regression to test the developed hypotheses and to validate the statistical robustness of the model.

RESEARCH RESULTS

Based on the data provided from 2020 to 2023, the development of ROA for companies listed in IDX30 shows fluctuating trends. Furthermore, the financial statements indicate that the firm size, observed from the total assets, experienced variations over the years. Additionally, the liquidity ratio, as measured by the current ratio, also displayed fluctuations within the observed period. Subsequently, the results of processing the company data using SPSS are as follows:

Analysis and Hypothesis Test

Normality Test

The normality test is conducted to determine whether the residuals of the regression model are normally distributed. This study employs the Jarque-Bera test. If the test result shows a probability value greater than 0.05, the residuals are considered to be normally distributed. Conversely, if the probability value is less than 0.05, the residuals are deemed not normally distributed.

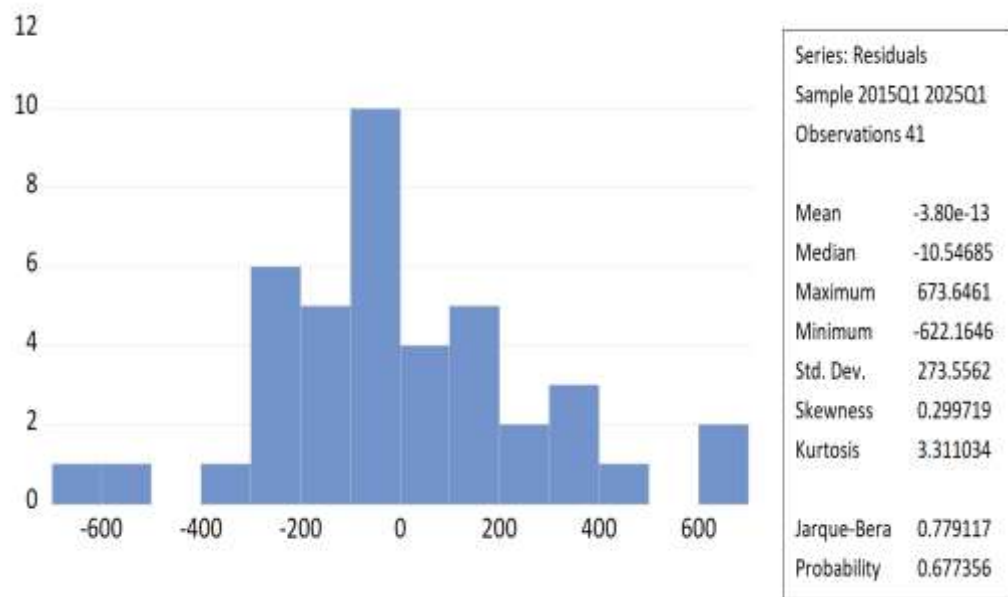


Figure 2. Normality Test

Source: Output Eviews

Based on Figure 2, the result of the normality test using the Jarque-Bera method indicates that the residuals are normally distributed, as the obtained probability value is 0.677356. Since this value is greater than the 0.05 (5%) significance level, it can be interpreted that the residuals follow a normal distribution.

Multicollinearity Test

The multicollinearity test is conducted to identify whether there is a high linear correlation among the independent variables in the regression model. Multicollinearity can be detected using the Variance Inflation Factor (VIF). If the VIF value exceeds 10, it indicates the presence of multicollinearity. Conversely, if the VIF value is below 10, the model is considered free from multicollinearity issues.

Table 1 Multicollinearity Test

Variabel	Coef. Variance	Uncent. VIF	Centered VIF
Koefisien	616710.2	304.0986	NA
World Oil Price (X1)	31.02213	71.06083	2.357804
World Gold Price (X2),	0.028514	73.59708	8.763258
Indeks DJIA (X3)	0.000331	138.7719	9.568329
Exchange Rate (X4)	0.004741	529.2789	2.768038

Source: Output Eviews

Based on the results of the heteroscedasticity test in the figure above, the significance values for Profitability, Firm Size, and Liquidity are 0.690, 0.347, and 0.462, respectively, or significance values > 0.05 . Therefore, it can be concluded that heteroscedasticity is not present in the regression model.

Heteroscedasticity Test

The heteroscedasticity test is conducted to examine whether the regression model contains unequal variance of residuals or error terms across observations. A good regression model is expected to be free from heteroscedasticity, meaning the residuals exhibit constant variance or homoscedasticity. In this study, the Breusch–Pagan–Godfrey (BPG) test was employed to detect the presence of heteroscedasticity, with the results presented as follows:

Table 2 <i>Heteroscedasticity Test</i>			
F-statistic	0.543715	Prob. F(4,36)	0.7047
Obs*R-squared	2.335813	Prob. Chi-Square(4)	0.6743
Scaled explained SS	2.080902	Prob. Chi-Square(4)	0.7209

Source: Output Eviews

Based on the EViews output shown in Table 2, the results of the heteroscedasticity test using the Breusch–Pagan–Godfrey method indicate that the probability values for the F-statistic (0.7047), Obs*R-squared (0.6743), and Scaled explained SS (0.7209) are all greater than the 0.05 significance level. Therefore, the null hypothesis (H₀) is accepted, indicating that the regression model does not exhibit heteroscedasticity.

Autocorrelation Test

The final stage of the classical assumption test is the autocorrelation test, which aims to identify whether there is a correlation between the residuals of the current period and those of the previous period in the regression model. In this study, the Breusch–Godfrey Serial Correlation LM Test is employed. The decision criterion is based on the probability value of the Chi-Square on Obs*R-Squared. If the probability value is greater than 0.05, then H₀ is accepted, indicating that the regression model is free from autocorrelation issues.

Table 3 Result of the Autocorrelation Test Using the Breusch Pagan Godfrey LM Test

F-statistic	0.950847	Prob. F(2,34)	0.3964
Obs*R-squared	2.171749	Prob. Chi-Square(2)	0.3376

Source: Output Eviews

The results of the autocorrelation test using the Breusch–Pagan–Godfrey LM test show a Prob. F(2,34) value of 0.3964 and a Prob. Chi-Square(2) value of 0.3376. Since both probability values exceed the 0.05 significance threshold, it can be concluded that the regression model is free from autocorrelation problems, both at the first lag and subsequent lags (lag 2). Thus, the regression model meets the required assumptions for further analysis.

Regression Analysis

Multiple Linear Regression Results

Multiple regression analysis is employed to assess the extent to which the independent variables influence the dependent variable, both jointly and individually. Accordingly, this study examines the relationships between World Oil Prices (X1), World Gold Prices (X2), the DJIA Index (X3), and the Rupiah Exchange Rate (X4) on the Indonesian Composite Stock Index (IHSG) in the Indonesia Stock Exchange (Y). The results of the analysis indicate that:

Table 4 Multiple Linear Regression Analysis Using Eviews

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
Konstanta	-603.0335	785.309	-0.767893	0.4476
World Oil Price (X1)	25.27926	5.569751	4.53867	0.0001
World Gold Price (X2),	0.492855	0.168861	2.918709	0.0060
Indeks DJIA (X3)	-0.017006	0.018199	-0.934452	0.3563
Exchange Rate (X4)	0.320163	0.068853	4.649922	0.0000

Source: Output Eviews

Based on the results of multiple linear regression analysis using EViews, the following regression equation was obtained:

$$Y = -603.0335 + 25.27926X_1 + 0.492855X_2 - 0.017006X_3 + 0.320163X_4$$

- a) Constant (C) = -603.0335

This indicates that when all independent variables are assumed to be constant at zero, the IHSG is estimated to be at -603.0335 points. The negative value of the constant should not be interpreted literally, but rather as the baseline level of IHSG before being influenced by the independent variables.

- b) World Crude Oil Price (X1) = 25.27926

The positive coefficient shows that for every 1 USD per barrel increase in world crude oil price, the IHSG increases by 25.279 points, assuming other variables are constant. This indicates that an increase in global oil prices tends to have a positive effect on IHSG.

- c) World Gold Price (X2) = 0.492855

This positive coefficient means that every 1-unit increase in world gold price increases the IHSG by 0.492 points, holding other variables constant. Thus, gold price movements exhibit a positive relationship with IHSG performance.

- d) DJIA Index (X3) = -0.017006

The negative coefficient indicates that a one-point increase in the DJIA Index reduces the IHSG by 0.017 points, ceteris paribus. This suggests an inverse relationship between the U.S. stock market and IHSG during the observation period.

- e) Rupiah Exchange Rate (X4) = 0.320163

The positive coefficient implies that a one-unit increase in the rupiah exchange rate against the USD increases the IHSG by 0.320 points,

assuming other variables remain constant. This means that rupiah appreciation tends to strengthen the IHSG.

Coefficient of Determination Results

To assess the extent to which the independent variables are able to explain the dependent variable simultaneously, the coefficient of determination test (R-squared / R^2) was employed. The results of the coefficient of determination test in this study are as follows:

Table 5 *Coefficient of Determination Results*

R-squared	0.903064
Adjusted R-squared	0.892294

Source: Output Eviews

Based on the results of the coefficient of determination test shown in Table, the R-squared value is 0.903064 or 90.31%. This means that the independent variables in this study (world oil price, world gold price, DJIA index, and the rupiah exchange rate) are able to explain 90.31% of the variation in the IHSG, while the remaining 9.69% is influenced by other factors outside the model. The Adjusted R-squared value of 0.892294 further reinforces that the regression model used is highly robust and has strong explanatory power.

Hypothesis Test

F-Test (Simultaneous Test)

In this study, the F-test is employed to assess the extent to which all independent variables namely world oil price, world gold price, DJIA index, and the rupiah exchange rate simultaneously influence the dependent variable, which is the IHSG on the Indonesia Stock Exchange (IDX), using quarterly data for the period 2015–2025. The results of the F-test in this study are as follows:

Table 6 Result F-statistic

F-statistic	83.84493
Prob(F-statistic)	0.000000

Source: Output Eviews

Referring to the results of the F-test in Table, it was found that the F-statistic value is 83.84493 with a Prob (F-statistic) of 0.000000. This probability value is lower than the predetermined significance level ($0.0000 < 0.05$). Thus, it can be concluded that the independent variables used in this study world oil price, world gold price, DJIA index, and the rupiah exchange rate simultaneously have a significant effect on the IHSG as the dependent variable during the period 2015–2025.

Partial Test (T-Test)

The purpose of the partial test, or t-test, is to answer the hypotheses in this study namely Hypothesis 1, Hypothesis 2, Hypothesis 3, Hypothesis 4, and Hypothesis 5 regarding whether the four independent variables have a partial

effect on the IHSG as the dependent variable. The criteria for the partial test are as follows:

- a) An independent variable is considered to have a partial effect on the dependent variable if the significance (probability) value is < 0.05 , or if the calculated t-value is greater than the critical t-value.
- b) An independent variable is considered not to have a partial effect on the dependent variable if the significance (probability) value is > 0.05 , or if the calculated t-value is lower than the critical t-value.

Table 7 Result t-statistic

Variabel	t-Statistic	Prob.
World Oil Price (X1)	4.53867	0.0001
World Gold Price (X2),	2.918709	0.0060
Indeks DJIA (X3)	-0.934452	0.3563
Exchange Rate (X4)	4.649922	0.0000

Source: Output Eviews

Referring to Table 7, the results of the t-test (partial test) in this study can be interpreted as follows:

- c) World Oil Price (X1) has a t-statistic value of 4.53867 with a probability of $0.0001 < 0.05$. This indicates that the world oil price has a positive and significant effect on the IHSG. The calculated t-value for this variable (4.53867) is greater than the critical t-value (2.028), thus it can be concluded that this variable significantly influences the IHSG. In other words, any increase in world oil prices will significantly increase IHSG movement.
- d) World Gold Price (X2) has a t-statistic value of 2.918709 with a probability of $0.0060 < 0.05$. The calculated t-value for this variable (2.918709) is greater than the critical t-value (2.028). Therefore, the world gold price also has a positive and significant effect on the IHSG.
- e) Dow Jones Industrial Average Index (X3) has a t-statistic value of -0.934452 with a probability of $0.3563 > 0.05$. In absolute terms, the calculated t-value (0.934452) is lower than the critical t-value (2.028). This result indicates that the DJIA Index does not have a significant effect on the IHSG. In other words, fluctuations in the DJIA do not directly affect IHSG movements during the research period.
- f) Exchange Rate of Rupiah (X4) has a t-statistic value of 4.649922 with a probability of $0.0000 < 0.05$. The calculated t-value for this variable (4.649922) is greater than the critical t-value (2.028). This result indicates that the rupiah exchange rate has a significant effect on the IHSG. The significant correlation implies that changes in the rupiah exchange rate against the US dollar can influence IHSG movements.

DISCUSSION

The Influence of Global Oil Prices on the IHSG

The test results show that global oil prices have a positive and significant effect on the IHSG (t-statistic > t-table and $p < 0.05$), thus the first hypothesis is accepted. This indicates that the Indonesian capital market is sensitive to global oil price fluctuations, with a positive directional impact.

Theoretically, rising oil prices are often considered negative as they may increase production costs, suppress profitability, and trigger inflation. However, this study finds the opposite. The dominance of energy and mining sectors in the IDX causes higher oil prices to improve the financial performance of energy-related issuers, strengthen investor sentiment, and increase demand for their stocks. Consequently, the share prices of energy companies rise and contribute positively to the IHSG. These findings align with demand-supply theory, where the increase in global oil prices driven by higher demand creates market optimism, generates higher returns for energy issuers, and ultimately supports the upward movement of the IHSG overall.

The Influence of Global Gold Prices on the IHSG

Referring to the second hypothesis, the results of this study indicate that global gold prices have a positive and significant effect on the IHSG. This conclusion is supported by a t-statistic that exceeds the t-table value and a probability value below the 0.05 significance level, implying that the second hypothesis can be accepted. In practical terms, this means that an increase in global gold prices tends to be followed by an upward movement in the IHSG, showing that both variables move in the same direction rather than inversely.

This finding provides an interesting insight into the behaviour of investors in the Indonesian capital market. Instead of shifting all funds to gold as a safe haven asset during periods of rising commodity prices, investors appear to reallocate portfolios by maintaining exposure to both gold and equities particularly stocks in commodity-related sectors such as mining, which stand to gain from higher gold prices. This behaviour is in line with behavioural finance theory, which posits that investor decisions are not always driven by pure rationality. The rise in gold prices may serve as a signal of macroeconomic uncertainty, yet many investors respond by exploiting market momentum, especially within sectors that benefit from commodity price increases. This leads to positive sentiment that flows into the stock market and ultimately contributes to the strengthening of the IHSG.

The Influence of the Dow Jones Industrial Average (DJIA) on the IHSG

The test results indicate that the DJIA index does not have a significant effect on the IHSG, as the absolute value of the t-statistic is lower than the t-table and the probability value exceeds 0.05. Consequently, the third hypothesis is rejected. This finding suggests that the assumed strong correlation between the U.S. stock market and the Indonesian capital market is not supported during the study period. The absence of a significant relationship also implies that the contagion effect where shocks in the U.S. market spill over to emerging markets does not consistently manifest under all economic conditions.

This result further highlights that domestic factors hold a more dominant role in influencing IHSG movements compared to external market indicators. Macroeconomic fundamentals, political stability, currency fluctuations, and corporate performance in Indonesia tend to shape investor decisions more directly. External information such as DJIA movement is not always treated as a primary determinant, given the relatively weaker structural integration between the two markets. These findings align with the semi-strong form of market efficiency, which asserts that stock prices rapidly incorporate relevant public information, especially information derived from domestic economic conditions.

The Effect of the Rupiah Exchange Rate on the IHSG

Referring to the fourth hypothesis in this study, which states that the exchange rate affects the IHSG, the test results show that the t-statistic for this variable exceeds the t-table value and its probability value is below 0.05. This indicates that the exchange rate exerts a positive and significant partial effect on the IHSG. Based on these empirical findings, the fourth hypothesis is accepted. In other words, fluctuations in the Rupiah exchange rate are statistically proven to influence movements in the Indonesian stock market index.

From a classical theoretical standpoint, a weakening Rupiah is generally associated with rising import costs, which may exert downward pressure on the IHSG. According to the Purchasing Power Parity (PPP) theory, depreciation of the domestic currency increases import costs and drives inflation, potentially eroding the profitability of firms dependent on imported raw materials. Under such circumstances, currency depreciation is expected to depress share prices and contribute to a decline in the IHSG. However, the findings of this study reveal the opposite relationship. The positive effect suggests that when the Rupiah weakens, Indonesian products become relatively cheaper in international markets, boosting export demand. Export-oriented companies particularly in the mining, plantation, and manufacturing sectors benefit from foreign currency earnings and improved performance. The resulting increase in investor optimism lifts stock prices in these sectors, which in aggregate contributes to the strengthening of the IHSG.

These results are consistent with the semi-strong form of the Efficient Market Hypothesis (EMH), which posits that capital markets rapidly incorporate publicly available information, including exchange rate fluctuations. Depreciation of the Rupiah is quickly interpreted by market participants as an opportunity for export-oriented issuers, prompting investors to increase demand for shares in those sectors. Such market reactions are subsequently reflected in the broader movement of the IHSG, reinforcing its upward trajectory.

CONCLUSIONS AND RECOMMENDATIONS

Based on the statistical analysis conducted in this study, it is concluded that World Crude Oil Prices, World Gold Prices, and the Rupiah Exchange Rate have a positive and significant effect on the IHSG during the 2015–2025 period. The increase in oil prices supports profitability in the energy sector and attracts investor interest, while the rise in gold prices not only functions as a safe-haven asset but also generates market optimism in line with behavioral finance.

Meanwhile, rupiah depreciation contributes to the strengthening of the IHSG as it increases export revenues, particularly for companies in the energy, mining, and plantation sectors.

Conversely, the Dow Jones Industrial Average (DJIA) is found to have no significant effect on the IHSG, indicating that Indonesian capital market investors respond more strongly to domestic factors or other more relevant global variables such as commodity prices, inflation, and monetary policy rather than U.S. stock market movements. However, when tested simultaneously, all global variables and the exchange rate collectively influence the IHSG, highlighting the structural link between global economic dynamics and stock market fluctuations in Indonesia throughout the study period.

Based on the findings of this study, it is recommended that investors continuously monitor both domestic and global macroeconomic indicators particularly world oil prices, world gold prices, the DJIA, and the Rupiah exchange rate before making investment decisions in the Indonesian stock market. Future researchers are encouraged to expand similar studies by using alternative data sampling techniques beyond quarterly data to improve result accuracy, as well as considering the inclusion of additional variables or longer observation periods to provide a more comprehensive view of the determinants of the IHSG.

ADVANCED RESEARCH

Future research may broaden the analysis of IHSG by incorporating additional external and internal variables such as inflation, interest rates, trade balance, foreign capital inflow, or geopolitical risks to obtain a more comprehensive understanding of market movements. Extending the observation period or using different sampling intervals such as daily or monthly data could produce more robust findings. Comparative studies with other stock indices in Indonesia or with indices in emerging and developed markets may also uncover differences in market reactions. Moreover, future studies are encouraged to apply advanced analytical approaches such as panel data regression, VAR/VECM models, or machine learning-based forecasting to improve prediction accuracy. Finally, examining sector-level effects, investor sentiment, and policy intervention impacts could provide richer insight for investors, regulators, and academics in understanding the dynamics of IHSG under various macroeconomic conditions.

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