ABSTRACT

This research empirically examines the impact of exchange rate and interest rate on composite stock price : comparison between Indonesia and Singapore by using annual time series data from 2000-2011. Vector Auto Regression (VAR) is the method used in this research. The result show that exchange rate and interest rate respond negatively to Indonesia's composite stock index but in Singapore the exchange rate respond negatively to the straits times' index and interest rate respond positively to the straits time index. The finding in this research suggests both interest rate and exchange rate give dominant effect on composite stock price index in both countries. Governments as policy maker must be carefully understand with both variables in order that they can control composite stock price index variables.

Keyword: Indonesia's Composite Stock Price Index, Singapore Straits time Index, Exchange Rate and Interest Rate