STOCK MARKET EFFICIENCY AND INTEGRATION: EVIDENCE FROM TOP TEN COMPETITIVE ASIA-PACIFIC COUNTRIES

THESIS

Presented as Partial Fulfillment of the Requirements

For the Degree of *Sarjana Ekonomi (S1)*

in International Business Management Program Faculty of Economics

Universitas Atma Jaya Yogyakarta

Compiled by:

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FACULTY OF ECONOMICS

UNIVERSITAS ATMA JAYA YOGYAKARTA

2016

The fear of the Lord is the beginning of knowledge…

~Proverbs 1:7a (KJV)

I praise You because I am fearfully

and wonderfully made

~Psalm 139:14 (KJV)

Faculty of Economics

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STOCK MARKET EFFICIENCY AND INTEGRATION: EVIDENCE FROM TOP TEN COMPETITIVE ASIA-PACIFIC COUNTRIES

Be accepted in partial fulfillment of the requirements

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STOCK MARKET EFFICIENCY AND INTEGRATION: EVIDENCE FROM TOP TEN COMPETITIVE ASIA-PACIFIC COUNTRIES

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AUTHENTICITY ACKNOWLEDGEMENT

I, the writer of the thesis, hereby declare that I compiled this thesis by myself. I fully acknowledge that my writing does not contain others' or part(s) of others' writing, except for those that have been cited and mentioned in the bibliography.

Yogyakarta, August 2016

Devina Dewi Mulyadi

ACKNOWLEDGEMENT

Praise to the Lord Jesus Christ, for His unlimited blessings and strengths that He gave to me in my entire life, especially give me many wonderful experience since I started to study in Universitas Atma Jaya Yogyakarta. His blessings comes in many ways, especially through people around me that He gave, who have given their love, care, support, and encouragement during my university life, especially helping and motivating me to accomplish this thesis. In this wonderful opportunity, I would like to give my deepest appreciation to all those wonderful people.

1. This thesis dedicated to my parents, Mr. Haryawan Muljadi (alm) and Mrs. Linda Tedjamulja, especially to my mom, who gives unending love and kindness to me, raising me up as single parent, and give me chance to study in Yogyakarta, although you do not like to be separated with me. And for my dad, I believe you always watched me from above the sky, guide me, and protect me with your unending prayer for me. Having both of you in my life is one of God's greatest blessings and the best things that God ever gave.
2. My thesis supervisor, my inspiration, Prof. Dr. J. Sukmawati Sukamulja, MM, for your willingness to spare her very tight schedule to guide me in finishing this thesis, and for your support and kindness during my preparation for the competition in Sochi, Rusia. I am very grateful to know the best lecturer I ever known, I am grateful for your patience and kindness, giving me suggestions, understanding, and guiding me to compile my thesis.
3. Mrs. Nadia Nila Sari, the coordinator of the international program, Mrs. Debora Wintriarsi and Mr. Sigit Hutomo (the former coordinator of the international program), also Ms. Henny, the international program office staff, and Mas Adit (the former international office staff). Thank you for your time, advice, and always helping me through my study. I also thankful for all the lecturers in the international program that I cannot

mention one by one for their guidance through all the semesters. The family of IBMP 2012 and IFAP 2012, especially for IBMP 12 family, thank you for all togetherness that we can share in this wonderful 4 years, and I hope we can always keep in touch each other. See you on top guys!

4. The big family of Paduan Suara Mahasiswa Universitas Atma Jaya Yogyakarta. Thank you for making my university life so wonderful, and extraordinary. Together with you guys, I can reach anything that I never dreaming of, especially for the WCG Sochi 2016 team. Guys, you are wonderful! I am so blessed to know you guys. For my choir coach, Mr. Yason Christy Pranowo, thank you for always being my inspiration. You are the best coach ever.
5. My lovely best college friends, Maria Stefany, Ketut Indah, Maria Nindita, Bernadette Desita, thank you guys for our togetherness in this 4 years of college life, and thanks for being a nicest friend since I was in Yogyakarta. To Mami Andrew, thank you so much for always there beside me, for always help and take care of me. Keep on spirit, Mi. The best is yet to come. To Buti & Ko Peter, thank you for always being a good advisors.
6. My KKN friends: Eci, Hanna, Bunda, Nesya, Anto, Niko, and Bima. I am so happy to know you guys. My musicians friends, Noel (& Luna), Johan, Dino, Radit, Rio, Bill, Reiven, Mas Putra, Reza, Raymond, Josef, Monic, Vikas, Patrick and Dini Haskar, thank you for always helping me to accomplish our project together during I made this thesis. To Ms. Nestiana Kriswardhani, thank you for always helping me with many things, especially during the preparation to Sochi. I am so grateful to know you.

Finally, to all people around me that I cannot mention one by one for all the prayers and supports.

Yogyakarta, August 2016

Devina Dewi Mulyadi

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ABSTRACT

The objective of this study is to examine the market efficiency and integration simultaneously for select Asia-Pacific countries. The selected Asia-Pacific countries is based on the Global Competitiveness Report by the World Economic Forum. The selected Asia-Pacific countries are Singapore (STI), Japan (N225), Hongkong (HSI), Taiwan (TWII), Malaysia (KLSE), New Zealand (NZ50), Australia (AXJO), Republic of Korea (KOSPI), Republic of China (SSE), and Thailand (SET). The samples are the monthly closing prices during 2003 until 2015. The data were taken from Yahoo Finance (http://www.finance.yahoo.com). The statistical method used to run and test the data, those method are runs test, Augmented Dickey-Fuller test, Phillips-Perron test, Pearson correlation, Johansen's Co-integration test, Granger causality test, and GARCH (1,1) test. All methods tested using Eviews 8 and SPSS 22 for Windows program. The result indicate there is significant short-term and long-term relationship between the stock market.

Keywords: *stock market efficiency, market integration, runs test, stationarity test, Pearson correlation, co-integration test, Granger causality test, GARCH (1,1) model*

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INTISARI

Tujuan dari penelitian ini adalah untuk menguji efisiensi dan integrasi pasar secara bersamaan untuk beberapa negara Asia Pasifik. Negara Asia-Pasifik yang dipilih didasarkan pada Global Competitiveness Report oleh Forum Ekonomi Dunia (WEF). Negara Asia-Pasifik yang dipilih adalah Singapura (STI), Jepang (N225), Hongkong (HSI), Taiwan (TWII), Malaysia (KLSE), Selandia Baru (NZ50), Australia (AXJO), Republik Korea (KOSPI), Republik Cina (SSE), dan Thailand (SET). Sampel yang digunakan harga penutupan bulanan selama tahun 2003 hingga 2015. Data diambil dari Yahoo Finance (http://www.finance.yahoo.com). Metode statistik yang digunakan untuk menjalankan dan menguji data, metode yaitu uji run tes, uji Augmented Dickey-Fuller, uji Phillips-Perron, korelasi Pearson, uji Co-integrasi Johansen, uji kausalitas Granger, dan GARCH (1,1). Semua metode diuji dengan menggunakan Eviews 8 dan SPSS 22 untuk program Windows. Hasilnya menunjukkan ada hubungan jangka pendek dan jangka panjang yang signifikan antar pasar saham.

Keywords: *stock market efficiency, market integration, runs test, stationarity test, Pearson correlation, co-integration test, Granger causality test, GARCH (1,1) model*