

**INFORMATION TRANSMISSION BETWEEN ISLAMIC
STOCK INDEX IN JAKARTA ISLAMIC INDEX (JII) AND
DOW JONES ISLAMIC MARKET WORLD INDEX (DJIMID)**

A THESIS

Presented as Partial Fulfillment of the Requirements
Obtain the *Sarjana Ekonomi* (S1) Degree in Management Program
Faculty of Economics, Universitas Atma Jaya Yogyakarta



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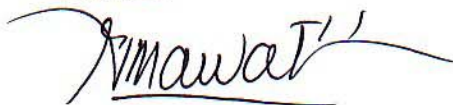
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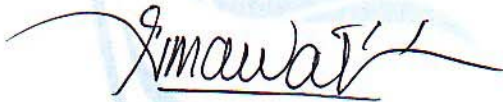
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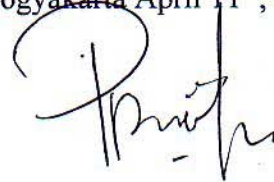
AUTHENTICITY ACKNOWLEDGEMENT

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Hereby declare that I fully knowledge that my writings does not contain others' or part(s) of others' writing, except for those that have been cited and mentioned in the references.

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Abstract

This research is to examine the transmission of information (at return and volatility level) as well as the correlation between Jakarta Islamic Index and Dow Jones Islamic Market World Index. Data used in this research is secondary data comes from Yahoo Finance, which is the daily return from November 30th, 2007 until May 16th, 2012. The tools to analyze the significance between those two market indices are bivariate VAR GJR-GARCH model. The results indicate significant unidirectional return and volatility transmissions from Dow Jones Islamic Market World Index and Jakarta Islamic Index. There is no evidence of asymmetric effects in volatility in both markets. However volatility is highly persistent and mean-reverting in each market. The findings also revealed that there is low correlation between the two Islamic stock markets investigated.

Keyword: Islam, Financial markets, Stock exchanges, Information transfer