CAUSALITY BETWEEN STOCK AND FOREIGN EXCHANGE MARKETS IN SAUDI ARABIA AND INDONESIA (2002-2016)

THESIS

Presented as Partial Fulfillment of Requirements for the Degree of Sarjana Economy (S1) in International Business Management Program Faculty of Economics Universitas Atma Jaya Yogyakarta

Compiled by:

Abdullah Abdulraoof Taha AL-Maqtari

Student ID: 131220139

FINANCIAL MANAGEMENT

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APPROVAL

I hereby recommend that thesis prepared under my supervision by

Abdullah Abdulraoof Taha AL-Maqtari

ID Number: 13122013

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Advisor

A. Jatmiko Wibowo, SE., SIP., MSF.

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COMMITTEES' APPROVAL

This is to certify the thesis entitled

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Written by:

Abdullah Abdulraoof Taha Al-Maqtari

Student ID Number: 13 12 20139

has been defended and accepted on January 11th, 2018 towards fulfillment of the requirement for the Degree of Sarjana Economy (Sl) in International Business Management Program Faculty of Economics, Universitas Atma Jaya Yogyakarta

EXANTINATION COMMITTEE

Chairman

Dr. C. Handoyo W., MM.

Members

A. Jatmiko Wibowo, SE., MSF

Drs. Felix Wisnu I., MBA

Yogyakarta, January 11th, 2018

Dean of Faculty of Economics

Universitas Atma Jaya Yogyakarta

Drs. Budi Suprapto. MBA., Ph. D.

AUTHENTICITY ACKNOWLEDGEMENT

I, Abdullah Abdulraoof Taha AL-Maqtari, hereby declare that I compiled the thesis with the following title:

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Is my own thinking and writing, I fully knowledge that my writings do not contain others' or part(s) of others' writing except for those that have been cited and mentioned in references.

Yogyakarta, December 18th, 2017

Abdullah AL-Maqtari

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اهداء

استهل هذا الإهداء بالشكر والحمد والثناء على ربي ملك الملوك الذي احاطني برعايته ولطفه وكرمه منذ نعومة اظافري بان حباني باناس كانو لي عونا وسندا وخير الزاد في هذه الدنيا الى أن غادرت بلدي في رحلتي للحصول على درجة البكلريوس من جامعة اتما جايا يوجياكارتا في اندونيسيا. اود ان اتقدم بالشكر والعرفان الى :

- عائلتي

والدي (عبدالرؤوف طه) معنى الحب والاصرار والتفاني. والدتي (هدى ياسين) من رافقتني منذ ان كنت جنين في كبدها ولا تزال ترافقني حتى اللحظة في فؤادي, هي تلك الشمعة التي تضيء قلبي ولا تنطفئ. اخي (هارون) معنى الاخلاص والمثابرة وسراجي المنيرفي الحياة. اخي (هيثم) معني العدل والانصاف. اختي (هاله) معنى الرقة والحنان الذي لا ينتهي. اخي (علي) معنى عدم اليئس والاصرار رفيق دربي في اندونيسيا. اخي (عمر) معنى الابداع وتجربة كل جديد. اخي (طه) معنى الحبوكشة انا فدالو... عائلتي العزيزه مهما استفضت في الكتابة فلن استطيع وصف ما اكنه لكم من حب ومشاعر جياشة, ليحفظكم المولى.

- الى ابناء وبنات جدي المرحوم (ياسين المقطري) وجدتي (زينب) حفظها الله, والذين كانو اللبنة الاساسية في انفتاحنا على العالم و الفرص الموجودة فيه واخص بالذكر خالي (عدنان) وخالي (صلاح) الذين لما يبخلو علينا بالدعم او بالنصيحة, وايضا خالي (عمار) الذي كان لنا نعم العون ونعم السند منذ اليوم الاول لي في اندونيسيا.
- الى المشرف على البحث الاستاذ (اليكساندر جاتميكو), الذي اعطاني الثقة بنفسي للمضي قدما في هذا البحث
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تقبلو تحياتي

عبدالله المقطري

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF APPENDIXES

CAUSALITY BETWEEN STOCK AND FOREIGN EXCHANGE MARKETS IN SAUDI ARABIA AND INDONESIA (2002-2016)

Compiled by:

Abdullah Abdulraoof Taha AL-Maqtari

Student ID: 131220139

supervisor **A. Jatmiko Wibowo, SE., SIP., MSF.**

Abstract

The purpose of this research is to investigate the existence of a causal relationship between the stock and foreign exchange markets in Indonesia and Saudi Arabia during the period of 2002-2016. The main test employed in this research is the test of Granger causality, which will test the causal relationship between Tadawul stock market TASI and the foreign exchange market SAR in Saudi Arabia, and will test the causal relationship between Indonesia stock market JKSE and the foreign exchange market IDR in Indonesia, The result of causality test were as follow: in Indonesian, markets show unidirectional causality running form JKSE into IDR, this causality relationship disappear to show an inverse relationship from the foreign exchange IDR into Indonesia stock exchange JKSE, as result of the global financial crisis in the period of 2007-2008. For the Saudi's markets the whole sample didn't show causality in 5% confidence level except in the period of 2002-2005, this unidirectional causality was running from Tadawul stock market TASI into the foreign exchange SAR, as result of the stock bubble which exploded in 2006, after that period the market show unidirectional causality running from the foreign exchange rate SAR toward the Tadawul stock market TASI but in 10% confidence level.

Keywords: Causality, stock markets, forex market, TASI, SAR, JKSE, IDR