

**THE COINTEGRATION AND INTERDEPENDENCE RELATIONSHIP  
BETWEEN DEVELOPED, EUROPEAN AND SOUTHEAST ASIAN  
STOCK MARKET**

**THESIS**

**Presented as Partial Fulfillment of Requirements for the Degree of Sarjana**

**Ekonomi (S1) in International Business Management Program**

**Faculty of Economics Universitas Atma Jaya Yogyakarta**



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**FACULTY OF ECONOMICS  
UNIVERSITAS ATMA JAYA YOGYAKARTA**

**2018**

**Thesis**

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**Yogyakarta, November 12<sup>th</sup>, 2018**

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**THE COINTEGRATION AND INTERDEPENDENCE RELATIONSHIP  
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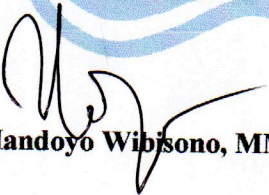
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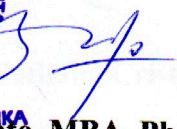
  
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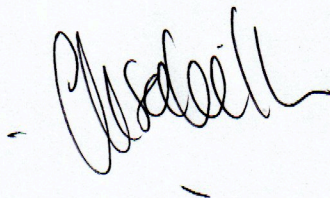
## **AUTHENTICITY ACKNOWLEDGEMENT**

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STOCK MARKET**

**Is really, my own thinking and writing, I fully knowledge that my writings  
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been cited and mentioned in the references.**

**Yogyakarta, November 12<sup>th</sup>, 2018**

A handwritten signature in black ink, appearing to read 'Elisabet Nathalia Cristabel', with a stylized, cursive script.

**Elisabet Nathalia Cristabel**

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**ABSTRACT**

The stock market plays a pivotal role in the growth of the industry and commerce of the country that eventually affects the economy of the country to a great extent. That is reason that the government, industry and even the central banks of the country keep a close watch on the happenings of the stock market. The topic of this research is to examine and highlight the cointegration of South East Asian stock markets vis-à-vis developed and European stock markets from January 1998 to December 2017. The assessment of interdependence between stock markets is an important aspect of international portfolio management.

This research used Johansen Cointegration System and Granger Causality model test as analysis tool. Johansen Cointegration System and Granger causality model are employed to analyze the stock market's return of each variable's relationship. The analysis indicates that the emerging Southeast Asian stock market and developed countries stock market have stability relationship and the similarity movement in the long-run. The analysis also uncover that the movement of trading volume is useful information to predict future return in Indonesian stock market. Furthermore, the result of Granger Causality test shows that there is bidirectional (causality) relationship between JKSE and KLCI. Unidirectional (causality) relationship can also be found mostly between developed stock markets to emerging Southeast Asian stock market.

**Keywords:** Stock market, cointegration, Johansen system, Granger Causality, Southeast Asian stock market, European Stock Market. .