

CHAPTER V

CONCLUSION

5.1. Conclusion

Stock price volatility is not only determined by the company's internal factors, but also by its external factors. The company's external and internal factors are the fundamentals, which is often used as a basis by market participants to take their investment decisions. Macro fundamental factors include factors: (1) economic, (2) social, cultural, demographic and environment, (3) political power, government, and law, (4) technology, and (5) competition (David, 2003 in Sudiyatno and Nuswandhari, 2009).

The affecting economic factors such as global financial crisis due to the deteriorating condition of the American economy. The financial crisis that occurred in the United States began with the subprime crisis in the United States. financial crisis began (www.bappenas.go.id). This financial crisis impact on global capital markets activity. The development of stock market index in some world markets that were previously shown at outperform performance, corrected down to a level that is not expected.

The purpose of this study was to examine the intensity differences that happen before and after U.S. sub-prime crisis in emerging capital market index, to examine the intensity differences that happen before and after U.S. sub-prime crisis in developed capital market index and to examine the intensity differences

that happen before and after U.S. sub-prime crisis in emerging capital market index and developed capital market index.

This research use LQ 45, Bombay Stock Exchange SENSEX, and SET50 index as sample in emerging capital market Developed capital market represent by DJIA, FTSE 100 and Nikkei 225.

Data that be used in this study are LQ 45 index, Bombay Stock Exchange SENSEX index, Kuala Lumpur Composite Index (KLCI), Dow Jones index, FTSE index and Nikkey index during 2005 to 2011. Data in this study were obtained from Indonesian Stock Exchange.

Based on data analysis that has been done then the conclusions of this study are as follows:

1. There are no differences in intensity of emerging capital market index before and after the U.S. sub-prime crisis.
2. There are no differences in intensity of developed capital market index before and after the U.S. sub-prime crisis.
3. There are no differences in intensity of emerging capital markets and developed capital market index before and after the U.S. sub-prime crisis.

The analysis shows that there is no difference intensity of emerging capital market index before and after the U.S. sub-prime crisis, there is no difference in intensity differences of developed capital market index before and after the U.S. sub-prime crisis and there is no difference intensity of emerging capital markets index and developed capital market index before and after the

U.S. sub-prime crisis. The results of this study indicate that the events the U.S. sub-prime crisis has information content that cause investors to react to these events both investors in emerging capital markets as well as developed capital markets.

There was no difference in intensity of emerging capital markets and developed capital market index before and after the U.S. sub-prime crisis may be due to emerging market dominated by foreign capital due to the openness of foreign investment. Nowadays, foreign investors dominate the stocks ownership of developing countries. In Indonesian stock market, foreign investors dominate ownership of shares in the capital market by 58%. The condition is caused by government regulations that are very liberal. Besides, the investment in Indonesian market today considers as more benefits than in their domestic market. Moreover, it is because of the integrity increasing of the market so that the level of dependency of emerging capital markets are also higher. The results are consistent with the results of the study Ramlall (2010) and Lee (2012). Ramlall (2010) regarding the influence of the Subprime crisis on volatility clustering and leverage effects in major international stock markets. Lee (2012) examines whether the sub-prime mortgage financial crisis of 2007 influenced the stability of the correlation structure in international stock markets.

5.2. Research Limitations and Suggestions fo Further Research

This study has a couple of limitations, namely:

1. Emerging capital markets represent by LQ 45, Bombay Stock Exchange's SENSEX, and SET50. Developed capital markets represent by the DJIA, FTSE 100 and Nikkei 225. Future studies may add other state index in order to obtain better results.
2. The period of study was carried out in 3 years before the U.S. sub-prime crisis and 3 years after the U.S. sub-prime crisis. Future studies may add the study period.
3. This research can be implement only for the investor who has financial management background of studies.

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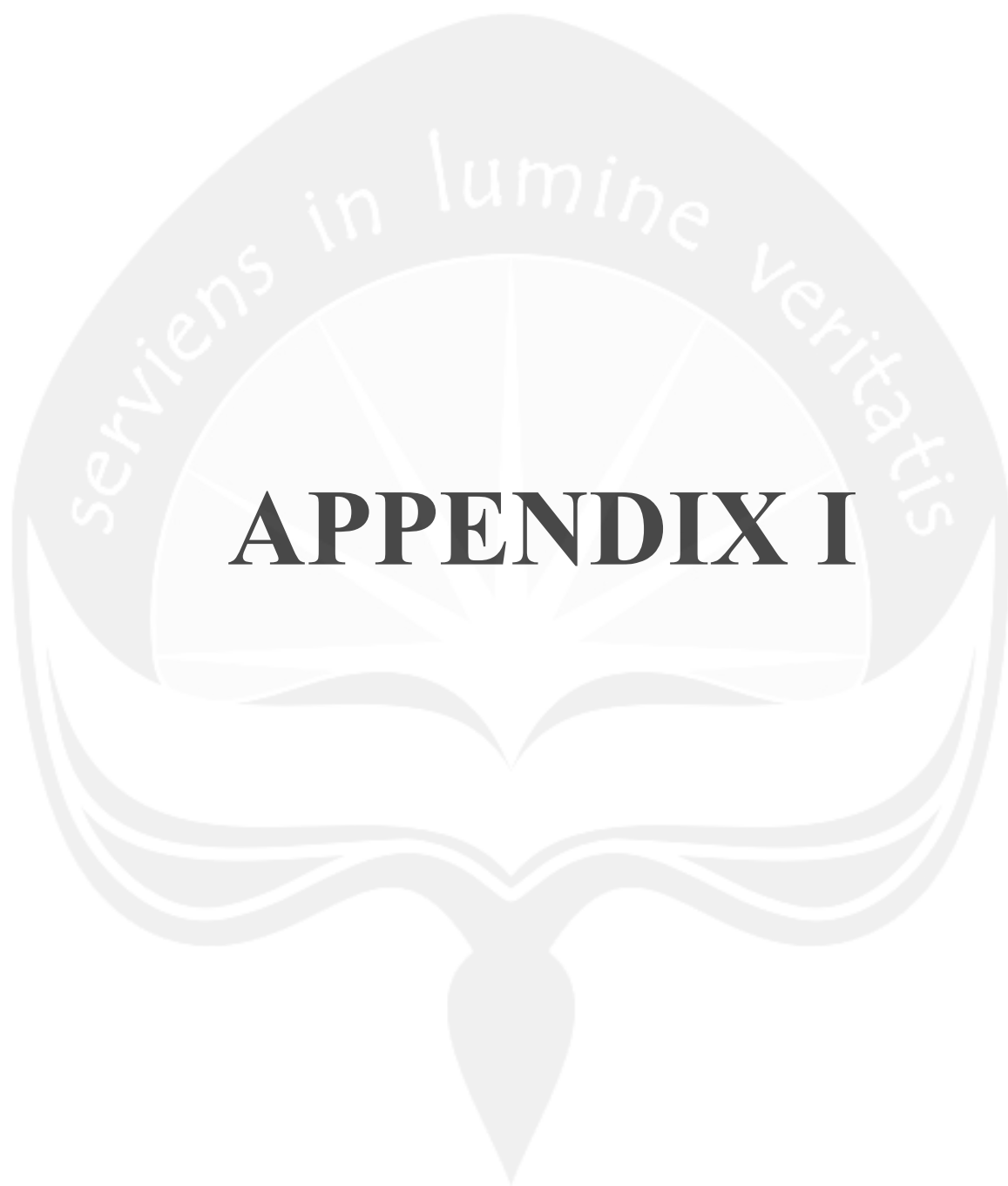
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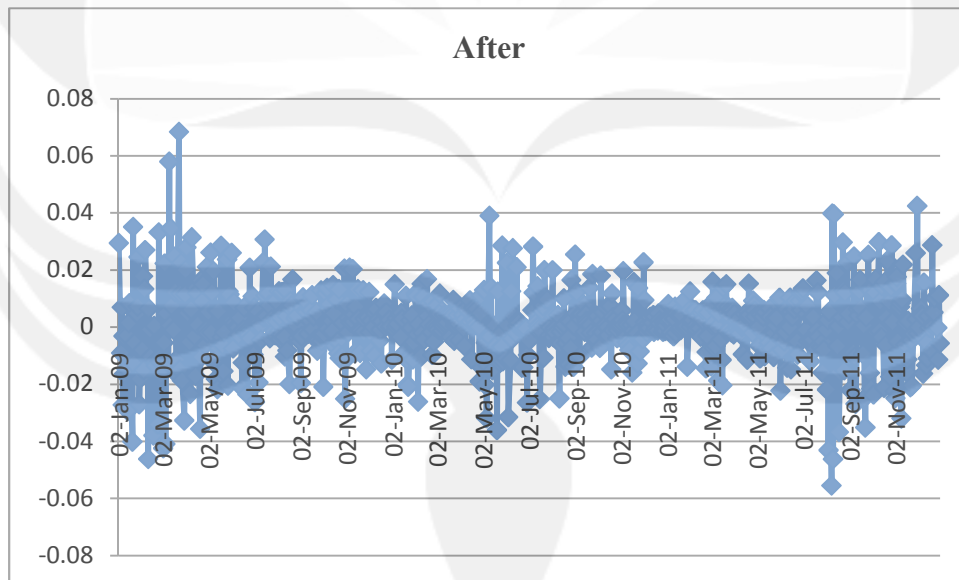
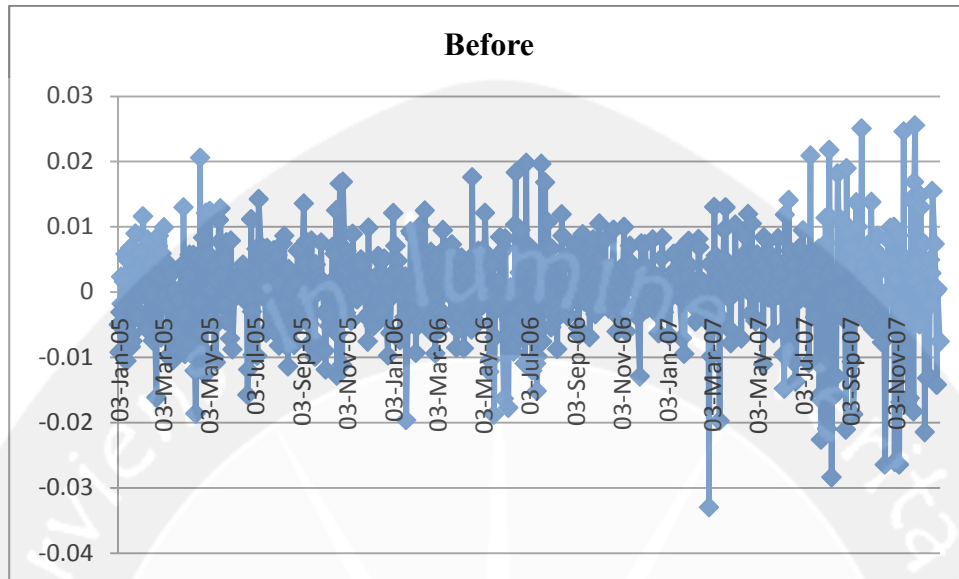
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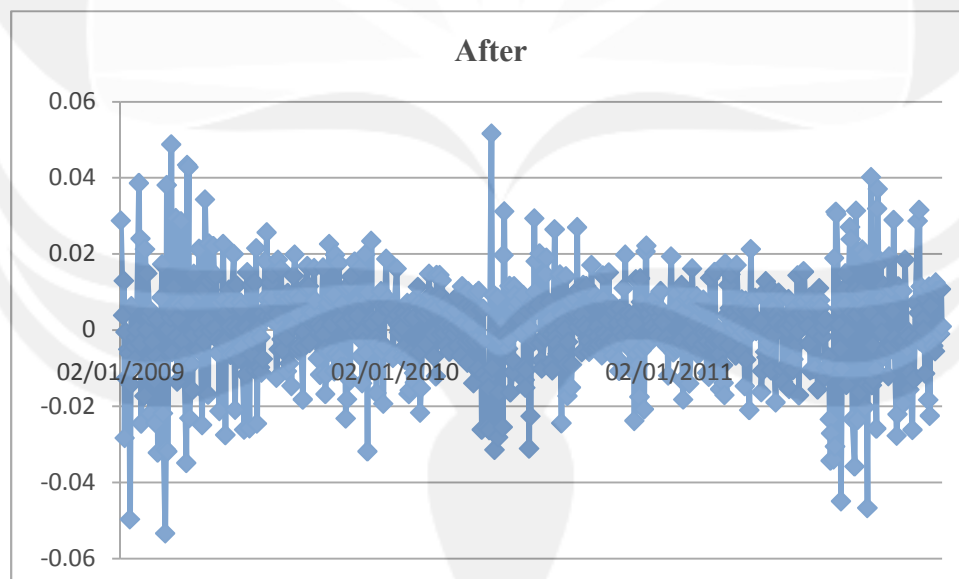
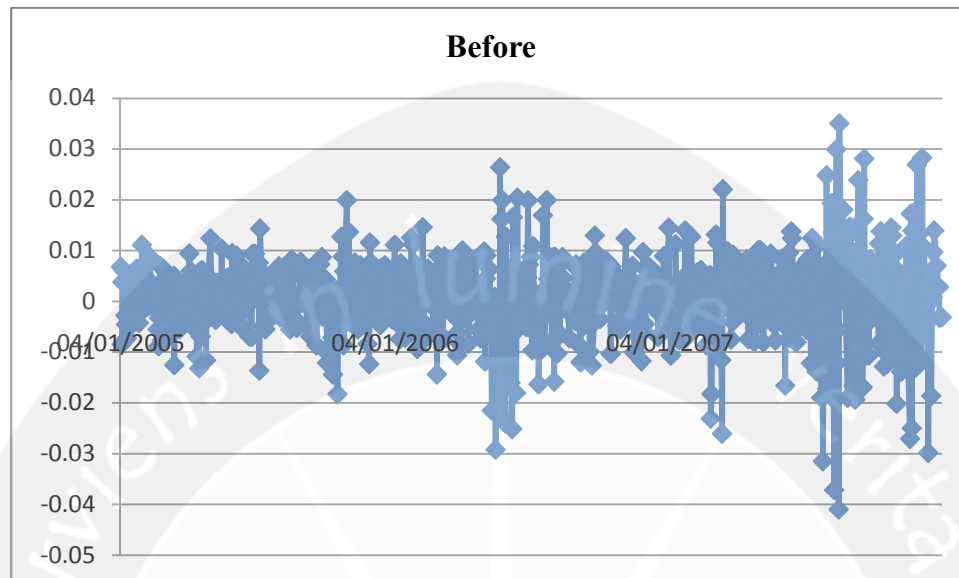


APPENDIX I

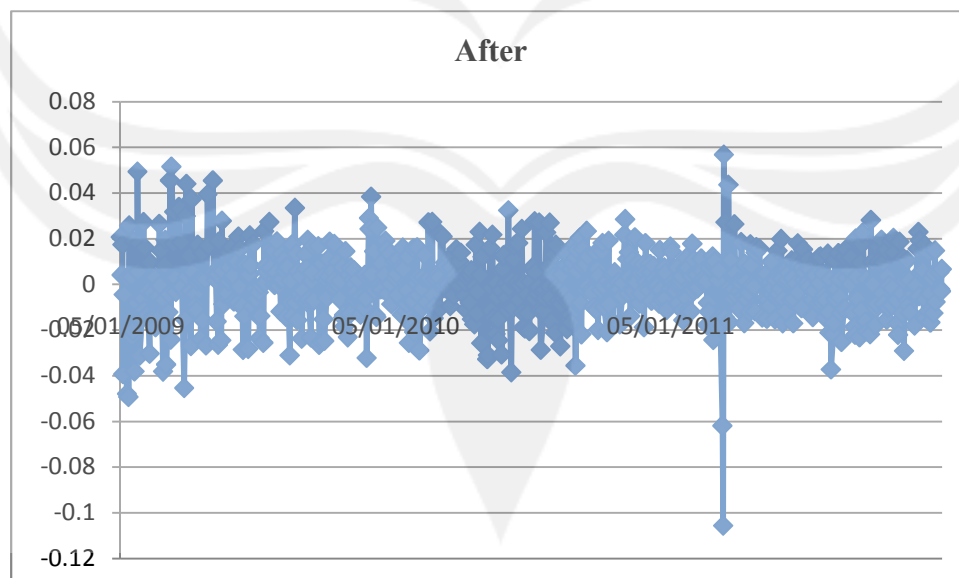
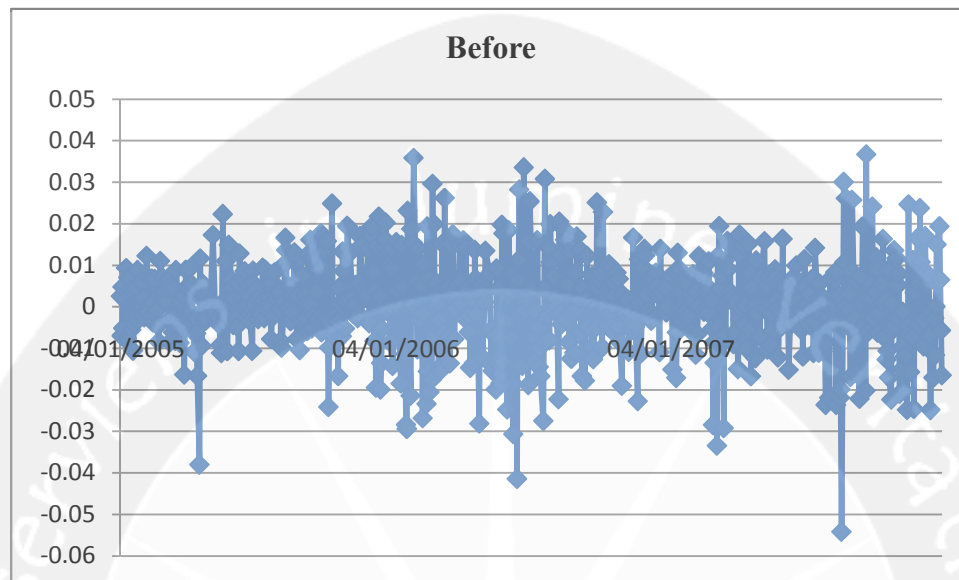
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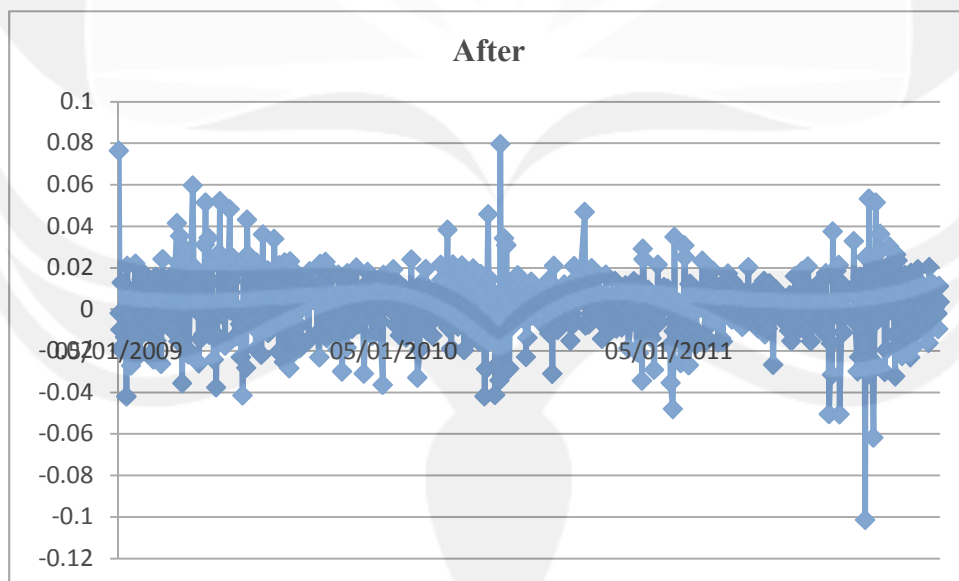
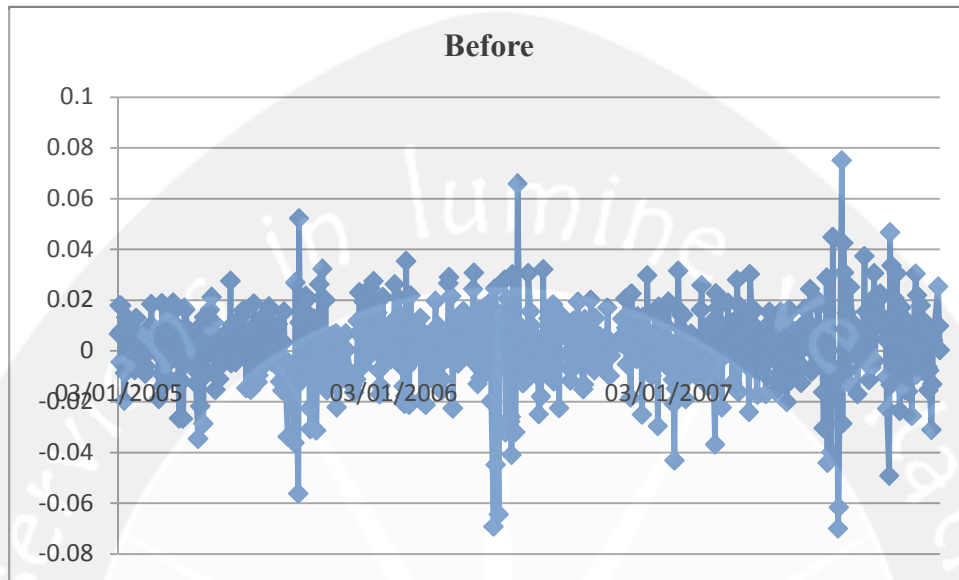
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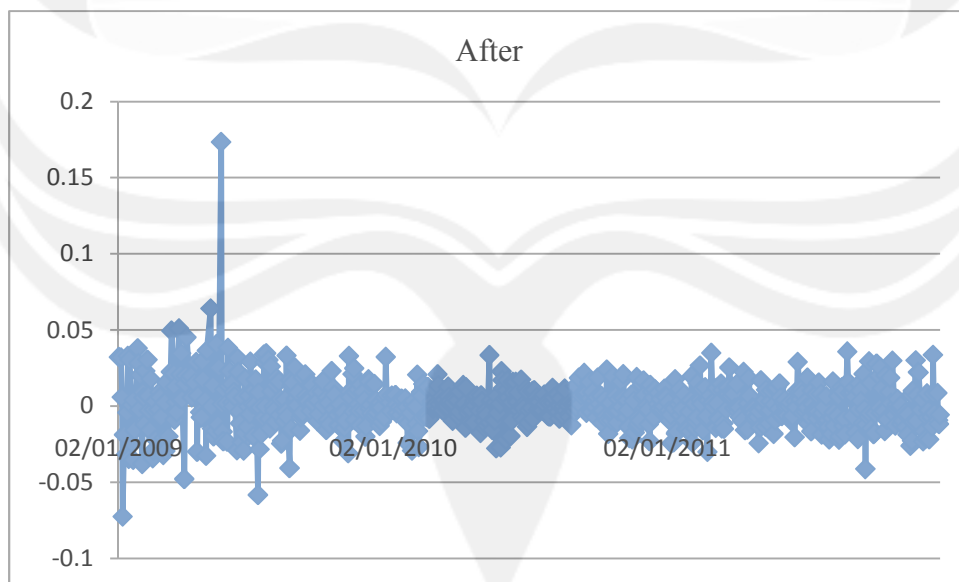
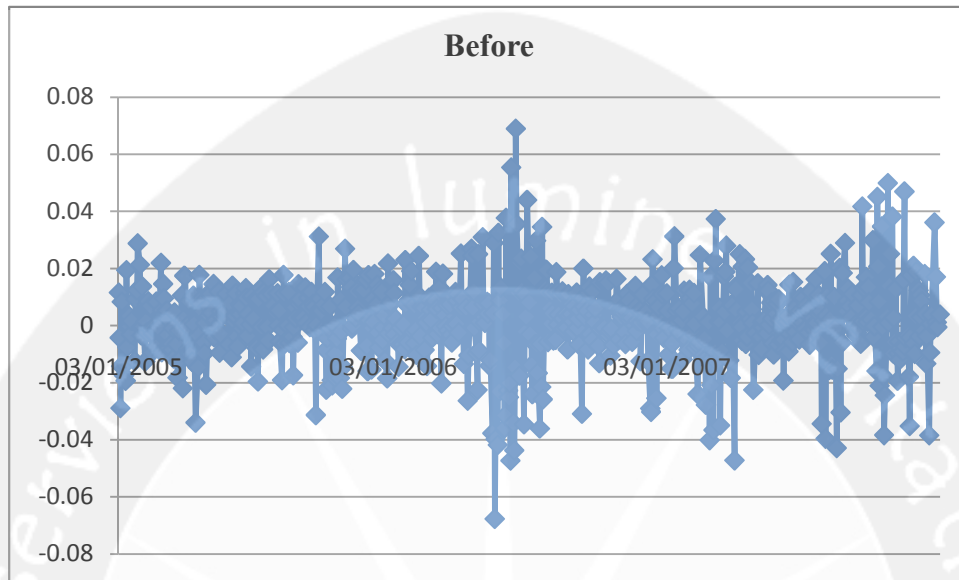
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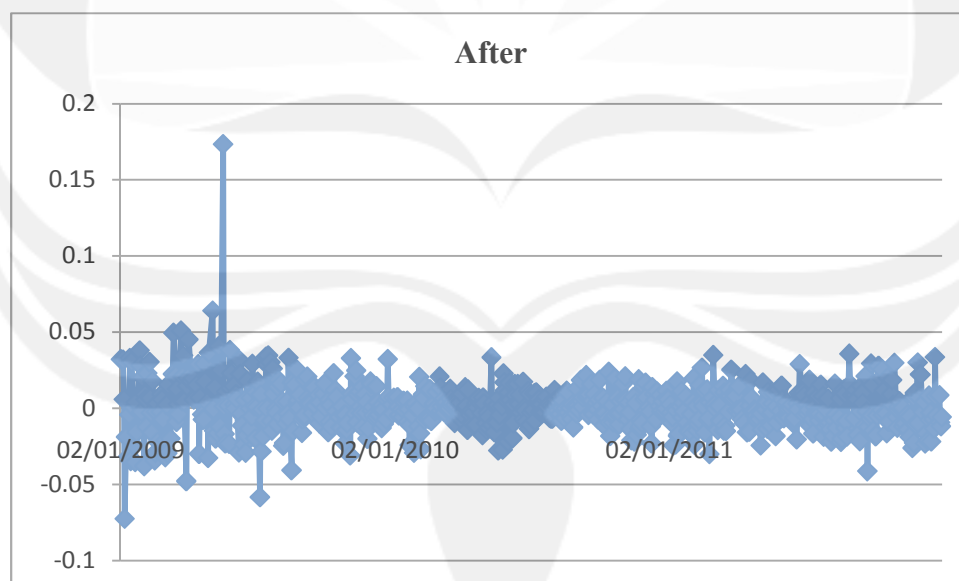
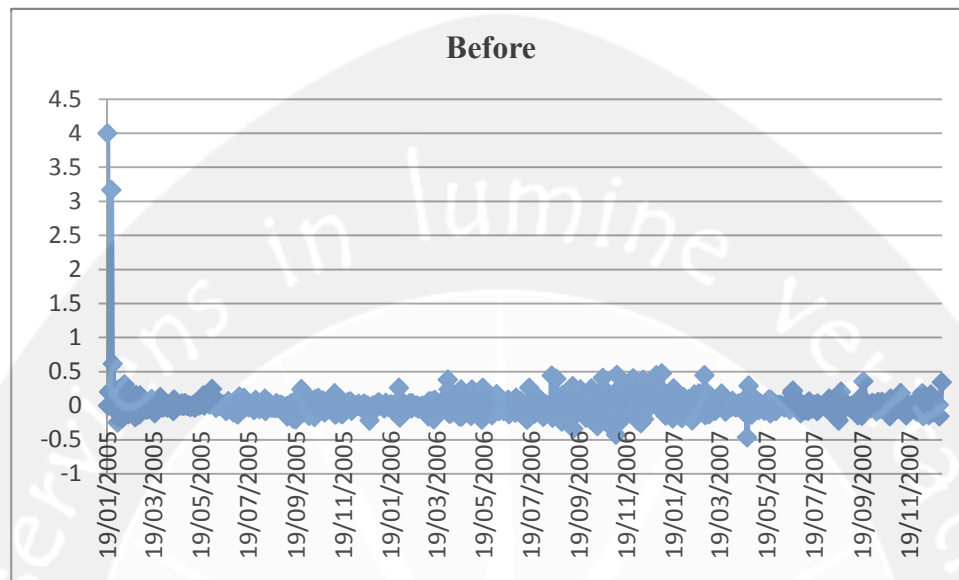
LQ45



Bombay Stock Exchange Index



SET 50



Dependent Variable: BEFORE

Method: ML - ARCH

Date: 12/03/12 Time: 00:06

Sample: 1 2217

Included observations: 2217

Convergence not achieved after 100 iterations

	Coefficient	Std. Error	z-Statistic	Prob.
Variance Equation				
C	0.005496	0.001399	3.928436	0.0001
ARCH(1)	0.093023	0.034791	2.673760	0.0075
GARCH(1)	0.592806	0.102685	5.773031	0.0000
R-squared	-0.002180	Mean dependent var		0.005876
Adjusted R-squared	-0.003085	S.D. dependent var		0.125879
S.E. of regression	0.126073	Akaike info criterion		-1.626229
Sum squared resid	35.19028	Schwarz criterion		-1.618511
Log likelihood	1805.675	Durbin-Watson stat		1.993657

Dependent Variable: AFTER

Method: ML - ARCH

Date: 12/07/12 Time: 20:18

Sample: 1 2225

Included observations: 2225

Convergence achieved after 6 iterations

	Coefficient	Std. Error	z-Statistic	Prob.
Variance Equation				
C	3.26E-06	8.18E-07	3.983943	0.0001
ARCH(1)	0.116582	0.009871	11.81079	0.0000
GARCH(1)	0.870994	0.011373	76.58131	0.0000
R-squared	-0.000552	Mean dependent var		0.000326
Adjusted R-squared	-0.001452	S.D. dependent var		0.013863
S.E. of regression	0.013873	Akaike info criterion		-5.913821
Sum squared resid	0.427661	Schwarz criterion		-5.906126
Log likelihood	6582.126	Durbin-Watson stat		2.064520

Dependent Variable: BEFORE

Method: ML - ARCH

Date: 12/07/12 Time: 20:22

Sample: 1 3258

Included observations: 3258

Convergence achieved after 11 iterations

	Coefficient	Std. Error	z-Statistic	Prob.
Variance Equation				
C	1.56E-06	2.31E-07	6.768032	0.0000
ARCH(1)	0.102776	0.008400	12.23466	0.0000
GARCH(1)	0.885769	0.009211	96.16366	0.0000
R-squared	-0.000586	Mean dependent var		0.000287
Adjusted R-squared	-0.001200	S.D. dependent var		0.011855
S.E. of regression	0.011862	Akaike info criterion		-6.492507
Sum squared resid	0.457988	Schwarz criterion		-6.486900
Log likelihood	10579.29	Durbin-Watson stat		2.193666

Dependent Variable: AFTER

Method: ML - ARCH

Date: 12/07/12 Time: 20:24

Sample: 1 2245

Included observations: 2245

Convergence achieved after 6 iterations

	Coefficient	Std. Error	z-Statistic	Prob.
Variance Equation				
C	3.28E-06	8.18E-07	4.005426	0.0001
ARCH(1)	0.116477	0.009846	11.82968	0.0000
GARCH(1)	0.870651	0.011379	76.51484	0.0000
R-squared	-0.000549	Mean dependent var		0.000324
Adjusted R-squared	-0.001442	S.D. dependent var		0.013839
S.E. of regression	0.013849	Akaike info criterion		-5.916246
Sum squared resid	0.430021	Schwarz criterion		-5.908607
Log likelihood	6643.986	Durbin-Watson stat		2.067866

Dependent Variable: BEFORE

Method: ML - ARCH

Date: 12/06/12 Time: 17:57

Sample: 1 5475

Included observations: 5475

Convergence not achieved after 100 iterations

	Coefficient	Std. Error	z-Statistic	Prob.
Variance Equation				
C	0.001628	0.000242	6.737593	0.0000
ARCH(1)	0.106984	0.018828	5.682079	0.0000
GARCH(1)	0.767888	0.034112	22.51053	0.0000
R-squared	-0.001000	Mean dependent var		0.002550
Adjusted R-squared	-0.001365	S.D. dependent var		0.080658
S.E. of regression	0.080713	Akaike info criterion		-2.491504
Sum squared resid	35.64827	Schwarz criterion		-2.487883
Log likelihood	6823.491	Durbin-Watson stat		1.996242

Dependent Variable: AFTER

Method: ML - ARCH

Date: 12/06/12 Time: 17:58

Sample(adjusted): 1 4470

Included observations: 4470 after adjusting endpoints

Convergence achieved after 85 iterations

	Coefficient	Std. Error	z-Statistic	Prob.
Variance Equation				
C	1.08E-07	1.48E-07	0.731768	0.4643
ARCH(1)	0.063012	0.001747	36.06145	0.0000
GARCH(1)	0.945963	0.000752	1258.335	0.0000
R-squared	-0.001319	Mean dependent var		0.002450
Adjusted R-squared	-0.001767	S.D. dependent var		0.067475
S.E. of regression	0.067535	Akaike info criterion		-4.887197
Sum squared resid	20.37362	Schwarz criterion		-4.882898
Log likelihood	10925.89	Durbin-Watson stat		2.417760



APPENDIX II

T-Test: Emerging

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Before	.0004	2243	.00906	.00019
	After	.0003	2243	.01384	.00029

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	Before & After	2243	-.005	.816

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Before - After	.00006	.01658	.00035	-.00062	.00075	.177	2242	.859

T-Test: Developed

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Before	.0059	2210	.12608	.00268
	After	.0046	2210	.09476	.00202

Paired Samples Correlations

	N	Correlation	Sig.
Pair 1 Before & After	2210	.034	.112

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Before - After	.00124	.15513	.00330	-.00523	.00772	.377	2209	.706

T-Test: Emerging and Developed

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Before	.0031	4453	.08908	.00133
	After	.0025	4453	.06750	.00101

Paired Samples Correlations

	N	Correlation	Sig.
Pair 1 Before & After	4453	.034	.022

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Before - After	.00065	.10991	.00165	-.00258	.00388	.394	4452	.694