

ABSTRACT

THE IMPACT OF INFLATION AND FOREIGN DIRECT INVESTMENT (FDI) ON THE STOCK INDICES: A STUDY OF THE INDONESIA STOCK EXCHANGE (IDX) AND SINGAPORE EXCHANGE (SGX) FROM 2013 TO 2022

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The stock index is a key indicator of the recent movements in the capital market. A rising trend in the stock index indicates an expected increase in stock prices, while a weak stock index suggests a potential decline in stock prices. This study aimed to assess the impact of inflation and FDI on the performance of stock indices in Indonesia and Singapore, specifically the Jakarta Composite Index (JCI) and the Strait Times Index (STI) from 2013 to 2022. The analysis employed a t-test to examine the hypothesis of the impact of inflation and FDI on JCI and STI. The results revealed that inflation and FDI did not affect JCI and STI. Inflation appeared negative effect on the performance of JCI and STI, potentially diminishing investors' confidence in economic stability. However, effective management of inflation by the government or monetary authorities could minimize this negative impact. On the other hand, a decrease in FDI flows may have the potential to weaken the performance of both stock indices, as FDI is often considered an indicator of international confidence in a country's economic prospects.

Keywords: Inflation, FDI, Stock Indices, JCI, STI