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SUSTAINABILITY ANALYSIS OF THE IMPACT OF ADVANCED ECONOMIC POLICIES ON EMERGING MARKET ECONOMIC POLICIES

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ABSTRACT

This research is an ongoing study to find out the economic policies of developed countries towards the policies of developing countries. Where developed countries are sampled are America, China, and England, while Indonesia for samples for developing countries. Data analysis used is descriptive statistical test, correlation test, unit root test and cointegration test. The results showed IHSG was not integrated with DJI, SSEC and, as well as when the cointegration test between units was obtained the same results.

Keywords: IHSG, DJI, SSEC, FTSE.

1. INTRODUCTION

It is common knowledge that policies issued by developed countries will have an impact on the economic condition of a developing country. The policy will certainly be directly responded by competent parties in a developing country to be adjusted and can be implemented in their respective countries. In addition to policy, the capital market conditions of developing countries, in this case Indonesia, were also affected by the covid-19 pandemic that hit the whole world. All sectors will be affected as a result. Really lucky that we are in Indonesia, recorded until October 25, 2020, the performance of the Indonesian capital market has a fairly good performance where until the closing in the third week of October, the Composite Stock Price Index (IHSG) closed at the level of 5,112.19. Within a week, Indonesia's capital market recorded mixed trade data movements. IHSG closed in a positive zone. Citing Indonesia Stock Exchange

(IDX) statistics, Saturday (10/24/2020), the highest increase during the week occurred in IHSG of 0.17 percent at 5,112,188. There was an increase compared to last week's close, 5,103,414. The average daily transaction value of the exchange decreased by 1.1% to Rp9.021 trillion. This compares with last week's close at Rp9.121 trillion. Average daily transaction volume also changed 0.02 percent to 12.162 billion shares from 12.164 billion shares a week ago. Not that IHSG performance is not affected by the pandemic, because IHSG has experienced it in March 2020 which fell to its lowest point, but with good policies from the Government that will push the full capital market towards a full recovery, also combined with the policies of developed countries, IHSG has the resilience to even get back on track 5,000.

Although IHSG can bounce back, but still not into its peak performance, precisely before the pandemic. This was also felt by all world capital markets, the Dow Jones Industrial Average Index (DJIA), which is one of the main indicators of stock trading in the United States, fell significantly to reach a low at the end of March to 18,591. At the close of, the United States (US) stock exchange also scored its biggest weekly sell-off since March, DJIA again closed down 0.59% to 26,501.6. At the close on October 16, Bloomberg data showed the Shanghai Composite index slipped 0.33 percent to 3,325.29 as of 11 a.m., after gaining 0.23 percent. In addition, stock exchanges in Europe also showed the condition of a set of three moneys. The FTSE Uk stock exchange index, for one, touched 7,675 in January 2020. The FTSE suffered a deep correction until the end of March, sitting below the 5,000 level. However, in the third week of May, the FTSE had already moved into the range of 6,002. however, British stocks closed lower in Wednesday trading on October 21, turning weaker than the previous day's gains, with the benchmark FTSE 100 index on the London Stock Exchange falling 1.91 per cent, or 112.72 points, to settle at 5,776.50 points.

Based on the above introduction, the problems examined in this study are formulated as follows:

1. Is there a cointegration of Indonesia's Capital Market Performance with the U.S, Shanghai and UK Capital Markets?
2. Is there a cointegration of Indonesia's Capital Market Performance with the U.S. Capital Market?
3. Is there a cointegration of Indonesia's Capital Market Performance with the Shanghai Capital Market?
4. Is there a cointegration of Indonesia's Capital Market Performance with the UK Capital Market?

Referring to the above problems, this research aims as follows:

1. To find out the cointegration of Indonesia's Capital Market Performance with the U.S., Shanghai and UK Capital Markets.
2. To know the cointegration of Indonesia's Capital Market Performance with the U.S. Capital Market.

3. To find out the cointegration of Indonesia's Capital Market Performance with the Shanghai Capital Market.
4. To know the cointegration of Indonesia's Capital Market Performance with the UK Capital Market.

The results of this research are expected to be used as inputs in an effort to improve the performance of capital markets oriented on profit in addition to being an indicator of a country's performance.

2. LITERATURE REVIEW

Composite Stock Price Index (IHSG)

As quoted from Wijaya (2017), Composite Stock Price Index (IHSG) is the main indicator index that describes the movement of stock prices on the Indonesia Stock Exchange. Quoted from Sunariyah (2003) IHSG is a series of historical information about the movement of the composite stock price, up to a certain date and reflects a value that serves as a measurement of the performance of a composite stock on the stock exchange. IHSG has several functions, namely as an indicator of market trends, as an indicator of profit levels, as a benchmark for the performance of a portfolio and facilitates the formation of portfolios with passive strategies. In IHSG calculation, all shares listed to be used as index calculation component. Based on data in Yahoo Finance, the number of shares that are the driving component of IHSG is 347 shares.

Dow Jones Index (DJI)

The Dow Jones Index is the oldest stock market index in America apart from the Dow Jones Transportation Index. The Dow Jones Index was first issued on May 26, 1896 by the editors of the Wall Street Journal and Dow Jones & Company. The Dow Jones index represents an average of 12 stocks from the most important industries in the United States. When it was first published the index was at 40.94. Currently the selection of list of companies eligible to be listed in the Dow Jones Index is conducted by the editor of the Wall Street Journal. This election is based on the company's capabilities, economic activity, profit growth, etc. Companies chosen in general are American companies whose economic activities have been worldwide (www.nyse.org).

Shanghai Index (SSEC)

It is an index representing the stock exchange based in Shanghai, China, which is one of two exchanges operating independently in china. SSE is the fifth largest stock market in the world. SSE is not entirely open to foreign investors due to strict capital account controls by local authorities. China's stock exchange is one of the most influential exchanges compared to other countries.

London Index (FTSE)

The FTSE 100 Index, also known as the footsie, is a composite index of 100 companies listed on the London Stock Exchange with the highest market capitalisation. It is one of the widely used stock indices and is a measure of

business prospects. The index is managed by FTSE Group as a subsidiary of the London Stock Exchange Group.

2.1. Hypothesis

The hypothesis formulated is the cointegration of the Stock Exchange of Indonesia, the United States, Shanghai and the United Kingdom.

3. RESEARCH METHODS

In this study, the data analysis method used consisted of Johansen Cointegration Approach, numerically descriptive statistics covering mean, median, maximum, minimum, standard deviation, skewness, kurtosis, and Jarque-Berra statistic and p-value and using unit root test, and lastly conducted a cointegration test where the whole series uses E-views application. Wijaya (2017).

4. RESULTS AND DISCUSSION

Based on data processing through E-views, the following results are obtained:

Table 1. Descriptive Statistics Results

	IHSG	Dji	SSEC function	Ftse
Mean	5167.905	26647.83	3103.445	8100.042
Median	5106.930	27280.24	3078.470	8230.000
Maximum	6325.410	29783.35	3451.090	9150.000
Minimum	3937.630	20704.91	2722.440	6174.000
St. Dev.	524.1193	2316.221	227.9547	615.9274
Skewness	0.404725	-0.830655	-0.048570	-0.776607
Kurtosis	2.948429	2.891769	1.486257	3.564304
Jarque-Bera	1.315738	5.543328	4.601708	5.461819
Probability	0.517954	0.062558	0.100173	0.065160
Sum	248059.4	1279096.	148965.3	388802.0
Sum Sq. Dev.	12910949	2.52E+08	2442277.	17830228
Observations	48	48	48	48

Source: Data processing

Performance comparison between capital markets can be seen from the largest deviation standard experienced by DJI and smallest by SSEC. Based on skewness it appears that DJI, SSEC and FTSE have negative values which means that the distribution of data is not normal but vice versa for IHSG which is positive value which means that the distribution of data is normal. Kurtosis in each capital market of each country shows results below the number 3 which means quite well, except for the FTSE above 3. Jarque-Bera is done to find out if the data has been distributed normally or not, based on calculations that have been done throughout the capital market that will be tested through the normality test.

Table 2. Results of Correlation Between Capital Markets

	IHSG	Dji	SSEC function	Ftse
IHSG	1	0.81036	0.31308	0.16108

Dji	0.81036	1	0.66491	0.61343
SSEC	0.31308	0.66491	1	0.69844
Ftse	0.16108	0.61343	0.69844	1

Source: Data processing

The relationship between capital markets has a positive result, in other words creating a one-way relationship between the capital markets of each country, where the largest is created between IHSG and DJI of 0. 810.

Table 3. ADF Method Unit Root Test Results

Country	ADF t-Statistic
IHSG	-2.868133
Dji	-1.322782
SSEC	-1.088624
FTSE	-1.784498

Source: Data processing

Root test measurement with ADF method if t-statistic compared to critical value 5% = -2. 925169 which means that the ADF t-statistic value is already greater than the critical value of 5%, meaning the data is already stationary and can be used for further research.

Table 4. Results of Inter-Capital Market Cointegration Test

Country	ADF t-Statistic				Decision
	Trace Statistics	Critical Value 0.05	Max-Eigen Statistic	Critical Value 0.05	
IHSG, DJI, SSEC and FTSE	43.39971	47.85613	24.23570	27.58434	Not Integrated
DJI and IHSG	13.35673	15.49471	10.55190	14.26460	Not Integrated
SSEC and IHSG	10.78457	15.49471	8.492537	14.26460	Not Integrated
FTSE and IHSG	13.62005	15.49471	10.01292	14.26460	Not Integrated

Source: Data processing

Based on the table above, it can be explained that IHSG does not have cointegration with DJI, SSEC and FTSE, even IHSG is not integrated in unit with DJI, SSEC and FTSE.

5. CONCLUSION

Basically, this research is a continuous research conducted by the authors to look at the long-term influence of advanced economic policies on the policies of emerging economies by looking at the current phenomenon of pandemic covid-19, where previous results showed that the cointegration of developed countries to

developing countries before the covid-19. The results of the current research show that the policies of developed economies do not have a long-term impact on the policies of developing countries, this is in accordance with the phenomenon that has been conveyed at the beginning, where IHSG is able to increase its value, but DJI and some developed market capital markets tend to be significant due to the covid-19 pandemic that does have a large economic impact to all countries.

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