

CHAPTER IV

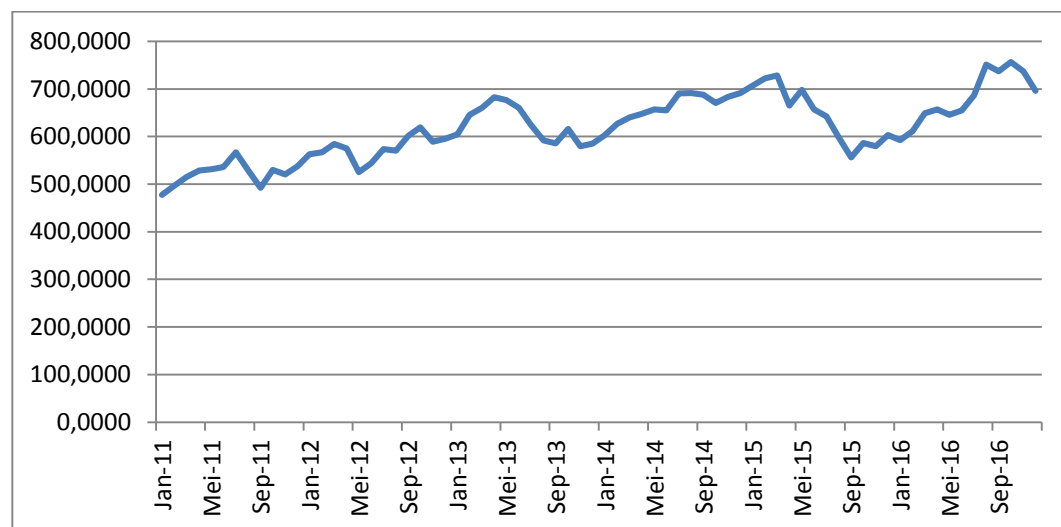
GENERAL DESCRIPTION

A. The Development of Jakarta Islamic Index

The history of JII has begun when BEI cooperated with PT.Danareksa Investment to establish the Jakarta Islamic Index (JII) on 3 July 2000 which aims to guide investors who want to invest their funds in sharia. With the publication of JII provides a way out for investors who are eager to invest in sharia and avoid the things that are gharar and not syariah. On April 18, 2001, for the first time the National Council of Indonesian Ulama Council (DSN-MUI) issued Fatwas directly related to the capital market, namely Fatwa Number 20 / DSN-MUI / IV / 2001 on Guidelines for the implementation of Investment for Islamic Mutual Funds. Further sharia investment instruments in the capital market continued to increase with the presence of Islamic bonds PT.Indosat Tbk in early September 2002. This instrument is the first Islamic bond and contract in use is mudharabah (www.ojk.go.id).

Generally, all stocks that can be categorized as Sharia shares are listed in the List of Sharia Securities (DES). There are several syariah stock indexes, one of them is the Jakarta Islamic Index (JII). JII is a stock index containing 30 stocks that meet the criteria of sharia (List of Sharia Securities issued by Bapepam-LK) taking into account the best market and liquidity. In addition to the criteria of sharia liquidity factor and market capitalization into consideration in choosing the shares included in the JII index. Where liquidity and market capitalization is

larger than other sharia shares and each semester is evaluated. Figure 4.1 represents the movement of JII, starting from January 2011 until December 2016. JII index experiencing upward movement trend. However, the rising trend of the movement with the turmoil that occurred in JII.



Source: www.duniainvestasi.com (Data processed)

Figure 4.1 JII Movements (Jan 2011- December 2016)

Description: JII is the Jakarta Islamic Index

The movement of JII stock index is influenced by various factors. External factors in the form of monetary indicators have a significant influence for the sustainability of capital market performance. Stable economic conditions are always expected by investors, as stable economic conditions affect the company's performance. For the sake of the creation of a good investment cycle in need of conducive conditions on macroeconomic monetary sector. Unstable economic turbulence could be the cause of less conducive investment cycles. The ability of investors to understand and forecast future economic conditions will be very

useful in making profitable investment decisions. For that, an investor should consider some macroeconomic indicators, especially the monetary sector that can help investors in making investment decisions. Table 1.1 show of data List 30 shares included in the calculation index Jakarta Islamic Index (JII) for the period June 2016 - November 2016 on the Indonesia Stock Exchange (BEI) in accordance with Announcement of Indonesia Stock Exchange No .: Peng-00301 / BEI.OPP / 05 -2016 dated May 27, 2016. Here is a company listed in JII.

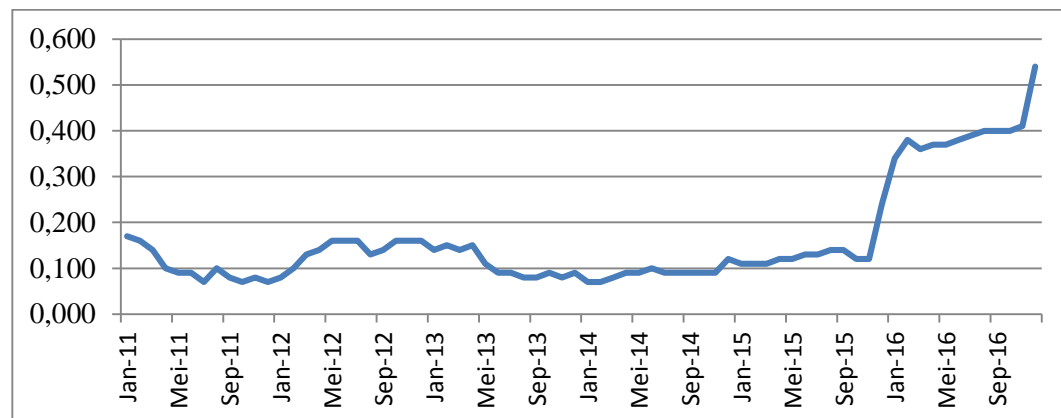
Table 4.1 List of companies incorporated in JII

NO	STOCK CODE	NAME OF STOCK
1	AALI	Astra Argo Lestari Tbk
2	ADRO	Adaro Energy Tbk
3	AKRA	AKR Corporindo Tbk
4	ASII	Astra International Tbk
5	ASRI	Alam Sutra Realty Tbk
6	BSDE	Bumi Serpong Damai Tbk
7	ICBP	Indofood CBP Sukses Makmur Tbk
8	INCO	Vale Indonesia Tbk
9	INDF	Indofood Sukses Makmur Tbk
10	INTP	Indocement Tunggul Prakasa Tbk
11	JSMR	Jasa Marga (Persero) Tbk
12	KLBF	Kalbe Farma Tbk
13	LPKR	Lippo Karawaci Tbk
14	LPPF	Matahari Department Store Tbk
15	LSIP	PP London Sumatra Indonesia Tbk
16	MIKA	Mitra Keluarga Karyasehat Tbk
17	PGAS	Perusahaan Gas Negara (Persero) Tbk
18	PTBA	Tambang Batubara Bukit Asam (Persero) Tbk
19	PTPP	PP (Persero) Tbk
20	PWON	Pakuwon Jati Tbk
21	SCMA	Surya Citra Media Tbk
22	SILO	Siloam International Hospitals Tbk
23	SMGR	Semen Indonesia (Persero) Tbk
24	SMRA	Summarecon Agung Tbk
25	SSMS	Sawit Sumbermas Sarana Tbk
26	TLKM	Telekomunikasi Indonesia (Persero) Tbk
27	UNTR	United Tractors Tbk
28	UNVR	Unilever Indonesia Tbk
29	WIKA	Wijaya Karya (Persero) Tbk
30	WSKT	Waskita Karya (Persero) Tbk

Source: www.jabodetabek.com

B. The Development of The Fed Rate

The fed rate greatly affects the global economy especially in the capital market. Any change in the increase or decrease in the fed rate will affect the world capital market including the Indonesian capital market, both conventional and sharia JII including one of the index that felt the impact of the change of the fed rate. The volatility of the fed rate as the graph below :



Source: www.Federalreserve.gov (processed data)

Figure 4.2 movement of the Fed rate period (Jan 2011 - Dec 2016)

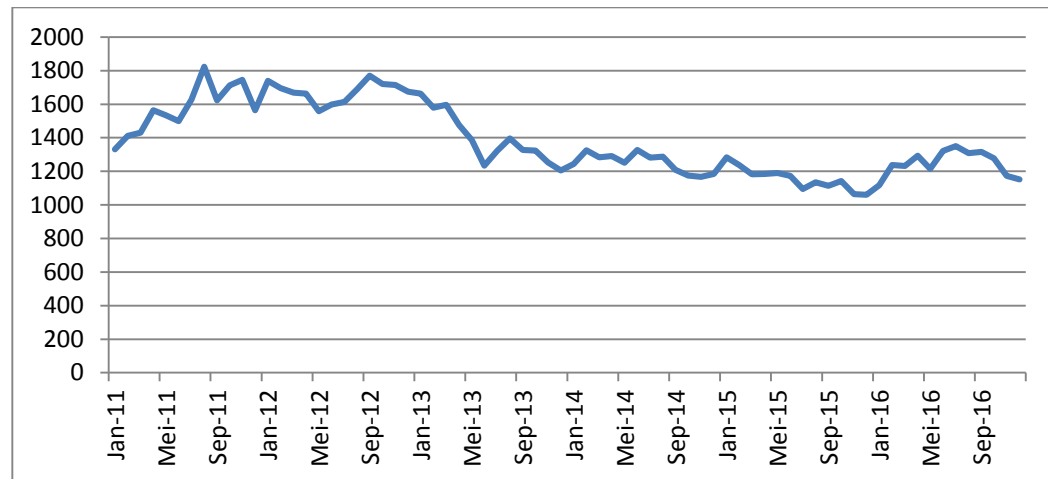
Description: TFR is The Fed rate

According to the graph above the volatility of fed rate was fluctuate in 2011 to 2015 the fluctuation of the fed rate is normal but among 2015 and 2016 the volatility of the fed rate quite increased.

C. The Development of Gold Price

Gold prices is also one of the instruments that can affect the movement of the Indonesian economy, especially in capital markets both conventional capital markets and sharia capital markets, in view of Islam Gold and silver are a very fair measure of money for the economy. In the capital market gold prices tend to

be stable and rising making people think investing in gold has a lower risk with high enough returns. The volatility of gold price as graph below :



Source: www.goldprice.org (processed data)

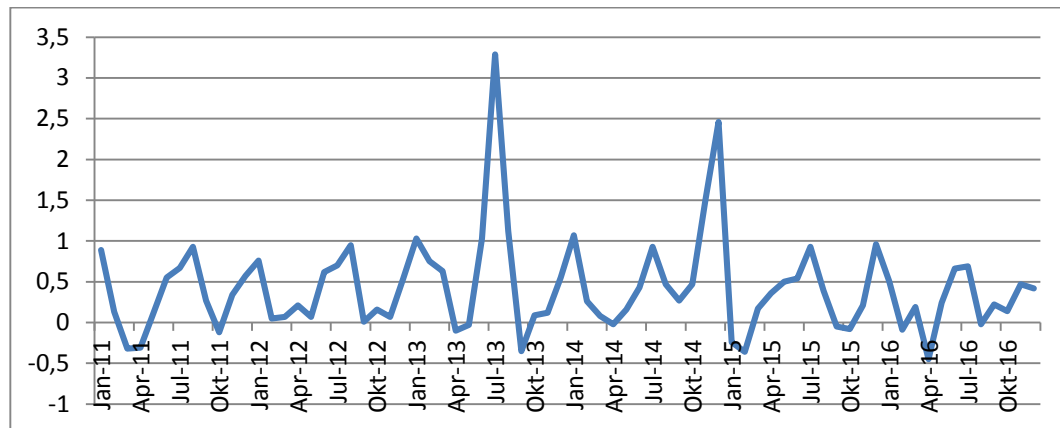
Figure 4.3 The movement of the Gold Price period (Jan 2011 - Dec 2016)

Description: GP is Gold Price

According to the graph above, the volatility of gold price was fluctuated, the gold price increase in 2011 and quite decrease in 2013, after that the fluctuate of goldprice quite normal.

D. The Development of Inflation

In the monetary sector the variable of inflation is a factor that can affect to all aspects of the economy, this applies to the capital market of Indonesia. Inflation can trigger turmoil in capital market activity, inflation will further lower the level of corporate profitability. The fall in corporate earnings will be bad information for traders on the stock market and will result in lower stock prices. The volatility of infalation as below:



Source: www.bps.go.id (processed data)

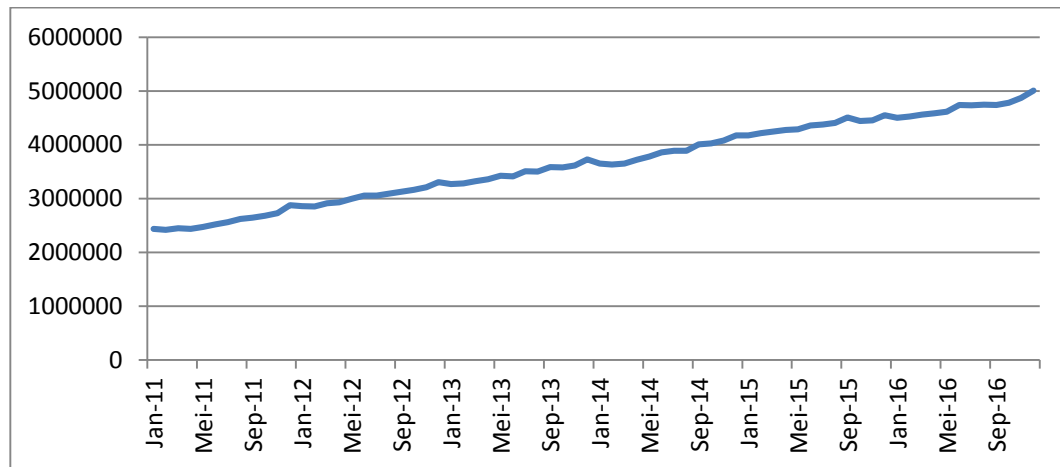
Figure 4.4 Inflation movement period (Jan 2011 - Dec 2016)

Description: INF is Inflation

The graph above show that the inflation in indonesia is very fluctuate, in 2013 and 2014 inflation increase but if we look in the data the percentage of Indonesia inflation still in the normal rate.

E. The Development of Money Supply

Variable macroeconomic monetary of money supply is also an indicator that can affect the capital market in Indonesia both conventional and sharia-based capital markets. This indicator is able to give impact to capital market activity in Indonesia. In this case, the researcher uses the indicator of the money supply (M2). The amount of money in circulation is closely watched by economists and central banks developing policies around it. the volatility of money supply as a graph below:



Source: www.bi.go.id (Data processed)

Figure 4.5 Money Supply movement period (Jan 2011 - Dec 2016)

Description: M2 is Money Supply

According to the graph above, the variable money supply was increasing since 2011 until 2016, and this is can impact to the capital market sector, based on the theory if the money supply increase the society had opportunity to invest more, and this is support to the Increasing volatility of JII in the graph 4.1.