

The Dow Jones Industrial Average as a Moderator in the Relationship Between Macroeconomic Variables and the JCI

I Kadek Bellyoni Dwijaya^{1*}, Abdul Azis R²

¹ Faculty of Economics and Business, Abdul Azis Lamadjido University
Besusu Barat, Kec. Palu Timur, Kota Palu, Sulawesi Tengah 94118, Indonesia

² Faculty of Economics and Business, Tadulako University
Jl. Soekarno Hatta No.KM. 9, Tondo, Kec. Mantikulore, Kota Palu, Sulawesi Tengah 94148, Indonesia
Email: ^{1*}billiyonid96@gmail.com, ²abdulazis.r09@gmail.com

Correspondence Author Email: billiyonid96@gmail.com

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Abstract-The purpose of this study is to determine and analyze the effect of macroeconomic variables including Money Supply, BI Rate, Inflation on the Composite Stock Price Index moderated by the Dow Jones Industrial Average Index. Using monthly data for the period 2013 – 2022 as many as 120 observations through a quantitative approach with the Fit model test analysis technique using the Smart-PLS application. The findings show that the Money Supply variable has a negative and insignificant effect, the BI Rate variable has an insignificant effect, Inflation and the Dow Jones Industrial Average have a positive and significant effect on the Composite Stock Price Index. The Dow Jones Industrial Average Index is able to moderate all macroeconomic variables on the Composite Stock Price Index on the Indonesia Stock Exchange. The strength of the United States stock market has a significant impact on the stock prices of developing countries, one of which is Indonesia, meaning that Indonesia's economic conditions are still dependent on developed countries, namely the United States in the long-term period. The reliance on global markets suggests that Indonesian policymakers and investors must carefully track international market trends, especially in the United States, when developing strategies and making investment decisions. The reliance on global markets suggests that Indonesian policymakers and investors must carefully track international market trends, especially in the United States, when developing strategies and making investment decisions.

Keywords: Money Supply; BI Rate; Inflation; DJIA; JCI

1. INTRODUCTION

The domestic economy is closely connected to the function of the capital market. The better the performance of the capital market, the healthier a country's economy and vice versa (Robiyanto et al., 2019). Capital markets are an important part of both developed and developing countries, this can be seen from the allocation of capital between entities, individuals, and governments that can encourage liquidity and economic growth (Mohamadieh, 2021). The Composite Stock Price Index functions as an indicator to measure the performance of stocks listed on the stock exchange (Sinay et al., 2022).

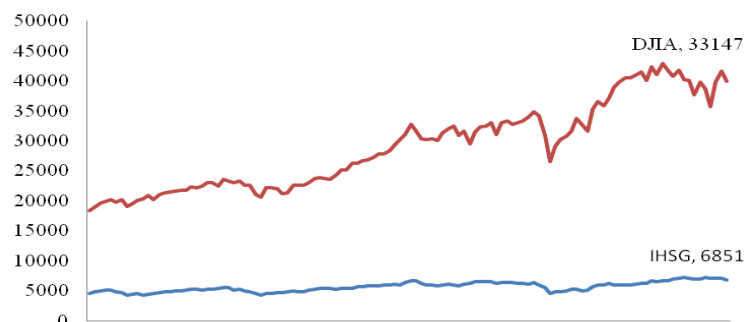


Figure 1. JCI and DJIA Index Movement 2013 – 2022

Source: tradingview.com, 2023

Both the JCI and DJIA are the strength of a country's economy. But, fluctuations in JCI performance are often influenced by macroeconomic conditions such as Inflation, Interest Rates, and Rupiah Exchange Rates.

Over the last 10 years, the United States stock market has shown rapid growth and has been able to bring investment opportunities and capital inflows (Beh & Yew 2020), The movement of this index is often seen as a representation of the overall performance of the stock market (Bi et al., 2021), this is evident from the DJIA index showing a significant upward trend. Indonesia is a well-connected country to the US economy in terms of trade relations. Therefore, many researchers are interested in studying the linearity relationship between the US stock market and the Indonesian stock market.

In previous studies, macroeconomic indicators, namely the money supply and interest rates, were considered important because they could influence the movement of the Swedish stock market (Hellberg, 2021). Long-term inflation affects the JCI, but not in the short term (Situngkir et al., 2021). Lower interest rates encourage increased credit distribution to the public, which in turn can increase investment demand and boost stock prices (Salisu & Vo,

2021). However, certain studies, such as John et al., (2019), refute this finding, stating that there is no significant relationship between interest rates and inflation with stock prices in France, Germany, and Portugal due to different economic conditions in each country. The results of the study show that in both the short and long term, exchange rate fluctuations and oil prices have a significant negative effect on the JCI and BI Rate in the short term, while in the long term it shows a strong negative relationship with the JCI, inflation, and GDP. There is an insignificant correlation between the exchange rate and oil prices with the IHSG and DJIA in both the short and long term, but the correlation has a significant positive effect on the IHSG (Santosa & Roselli, 2023).

The Dow Jones Industrial Average index and crude oil prices have a positive and significant effect on the IHSG, while the exchange rate has a negative effect on the IHSG (Robiyanto et al., 2019). The results of the study show that the inflation and exchange rate variables have a negative and significant effect on the Indonesian Composite Stock Price Index (Fuad & Yuliadi, 2021). However, these results show the inconsistency of the influence of macroeconomic indicators on the IHSG in different temporal and geographical contexts. This reflects that there is no solid theoretical or empirical consensus regarding the main determinants of the IHSG movement, especially in the context of its relationship to the global stock market.

In accordance with previous studies, the differences in research results are very clear, both in terms of the demographics of the subjects studied and the observation period which includes the long and short term. The identified research gap is that there are not many studies that explicitly examine the role of global market indices, especially the Dow Jones Industrial Average (DJIA), as a moderating variable in the relationship between domestic macroeconomic variables and the JCI. Most studies still place the DJIA as an independent variable without considering its function in moderating domestic market dynamics that are vulnerable to global volatility. In fact, in an era of high financial market integration, fluctuations in global stock indices can strengthen or weaken the relationship between domestic macroeconomic indicators and the national stock market.

In this study, a different approach is used, namely making the DJIA Index a moderating variable to determine the relationship between macroeconomic variables and the JCI. The urgency of this study lies in the importance of understanding how much influence the global stock market, namely the DJIA, has on the movement of the JCI, especially in the context of global economic uncertainty. The purpose of this study is to determine the extent to which changes in the DJIA Index moderate the influence of factors such as money supply, inflation, and interest rates on the JCI. The theoretical contribution of this study is to expand the conceptual framework regarding the relationship between macroeconomic variables and stock indices by including global moderating variables. The practical contribution is to provide insight for investors and policy makers in mitigating market risk through understanding the impact of DJIA fluctuations on the domestic stock market, especially the IHSG, under certain conditions such as the global crisis or international economic turmoil.

2. RESEARCH METHODS

This research is a quantitative study with an associative and explanatory approach, which aims to explain the relationship between macroeconomic variables and the Composite Stock Price Index (IHSG), as well as the role of the Dow Jones Industrial Average (DJIA) as a moderating variable. This research was conducted in Indonesia, focusing on the dynamics of the national capital market represented by the IHSG. The data used are monthly time series for the period January 2013 to December 2022, with a total of 120 observations. The macroeconomic variables analyzed include Money Supply, BI Interest Rate, and Inflation obtained from the official website of Bank Indonesia (www.bi.go.id). IHSG data uses monthly closing prices downloaded from www.finance.yahoo.com, while DJIA data is taken from www.marketwatch.com.

A 10-year time span was chosen as the focus of the analysis to provide a broader and deeper picture, in line with the long-term approach used by Robiyanto et al. (2019). This approach also differentiates it from the research of Fuad & Yuliadi (2021) and Santosa & Roselli (2023) which only used a five-year time span and did not include the latest data. The selection of this period is expected to capture more stable and relevant macroeconomic fluctuations and relationship patterns.

Quantitative-based research approach. The framework model can be seen as follows:

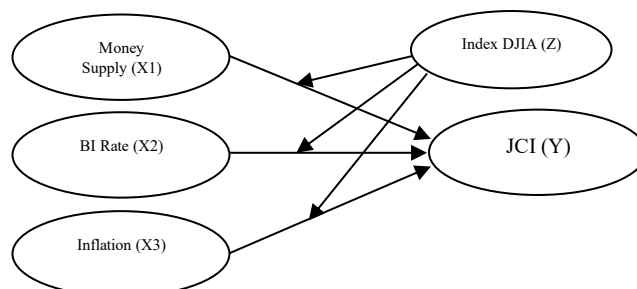


Figure 2. Framework of Thought

From the illustration of the framework, it produces several research hypotheses which can be described as follows:

- a. Money supply has a significant effect on the Composite Stock Price Index.
- b. BI Rate has a significant effect on the Composite Stock Price Index.
- c. Inflation has a significant effect on the Composite Stock Price Index.
- d. DJIA Index moderates money supply on the Composite Stock Price Index.
- e. DJIA Index moderates BI Rate on the Composite Stock Price Index.
- f. DJIA index moderates inflation on the Composite Stock Price Index.

Data processing is carried out using descriptive analysis and model fit test testing through the help of the SmartPLS application. Descriptive analysis is used to provide an overview of the observed data. Meanwhile, model fit test testing through SmartPLS allows evaluation of the suitability of the structural model, as well as testing the significance and strength of the relationship between variables statistically. This analysis also refers to the framework of efficient market theory (Efficient Market Hypothesis/EMH) and modern portfolio theory, which states that macroeconomic information and global indicators such as the DJIA can influence investor decisions and domestic stock market movements.

3. RESULTS AND DISCUSSION

3.1 research results

3.1.1 Descriptive Analysis

The descriptive statistics summary for the variables in this study is shown in Table 1, which covers 120 samples from the period 2013 to 2022:

Table 1. Descriptive Analysis

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Money Supply	120	3268789	8528022	5463966.96	1396266.99
BI Rate	120	3.50	7.75	5.4604	1.45774
Inflation	120	-.45	3.29	.3402	.49001
Index DJIA	120	13861	36338	23445.93	6503.03
JCI	120	4195	7229	5607.05	802.46

Source: data processing result, 2024

According to Table 1, the results of descriptive statistics describe all variables including money supply, BI rate, Inflation, DJIA Index and JCI during the study period. The lowest average movement of money supply was 3,268,789 and the highest was 8,528,022 with an average value of 5,463,966 and a distribution deviation of 1,396,266 lower than the mean value. The lowest interest rate (BI Rate) of 3.50 and the highest of 7.75 has an average movement of 5.46 with a standard deviation value of 1.45774. The lowest inflation was -0.45 and the highest was 3.29 with an average inflation of 0.34 where the standard deviation value was 0.49.

3.1.2 Model Fit Analysis

The test results using SmartPLS produce a fit model as in the following table:

Table 2. Model Fit

Fit Summary	Saturated Model	Estimated Model
SRMR	0.000	0.005
d_ULS	0.000	0.000
d_Gi	0.000	0.001
Chi-Square	0.000	0.616
NFI	1.000	0.999

Source: data processing result, 2024

SRMR (Standardized Root Mean Residual) quantifies the discrepancy between the empirical covariance matrix and the covariance matrix derived from the estimated model. A lower SRMR value signifies a better fit between the estimated model and the data. Given the SRMR value in the estimated model is 0.005, this suggests that the model aligns well and fits the empirical data effectively.

3.1.3 Structural Model Analysis (Inner Model)

The following table presents the results of the structural model analysis (inner model) which shows the relationship between latent variables in this study.

Table 3. Inner Model Testi Results

		<i>R Square</i>	<i>R Square Adjusted</i>
Composite Stock Price Index (JCI)		0.781	0.767

Source: data processing result, 2024

Based on Table 3, the R Square value of 0.781 and the Adjusted R Square of 0.767 indicate that the structural model is able to explain 78.1% of the variability in the Composite Stock Price Index (IHSB) variable, while the rest is explained by other variables outside the model.

3.1.4 Hypothesis Test Result

The following figure presents the results of bootstrapping to test the significance of the relationship between variables in the structural model.

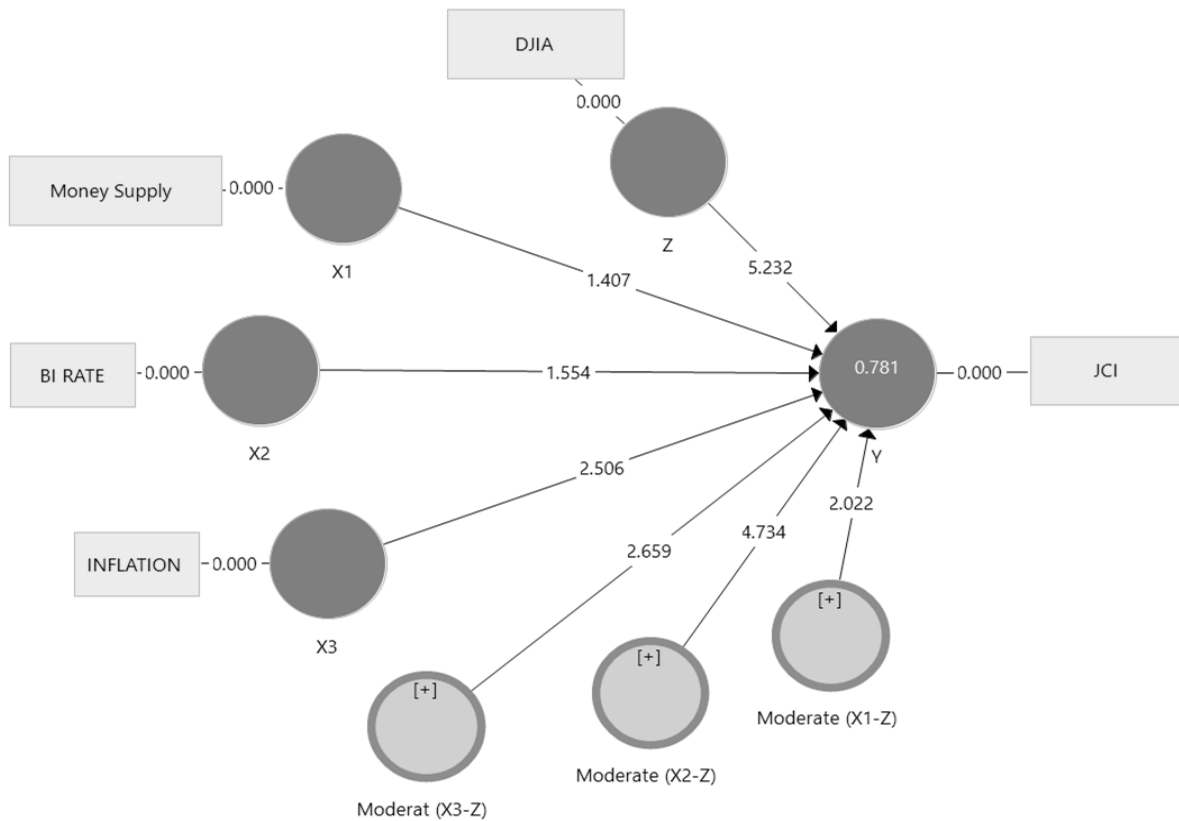


Figure 3. Bootstrapping Results

Sumber: Source: data processing result, 2024

The figure shows the results of bootstrapping analysis of the structural model (inner model) to test the influence of independent variables and the role of moderation on the Composite Stock Price Index (JCI). The results show that of the three independent variables, only inflation (X3) has a significant effect on the JCI (t-statistic = 2.506), while Money Supply (X1) and BI Rate (X2) are not significant with t-statistics of 1.407 and 1.554, respectively. DJIA (Z) as a moderating variable has a significant direct effect on the JCI (t-statistic = 5.232). In addition, DJIA also significantly moderates the relationship between independent variables and JCI, with t-statistic values of 2.022 for X1-Z, 4.734 for X2-Z, and 2.659 for X3-Z. These findings indicate that DJIA plays an important role in strengthening the influence of domestic macroeconomic variables on the JCI.

The following table presents the results of hypothesis testing through path coefficient values to assess the significance of the influence between variables in the model.

Table 4. Hypothesis Test Results (Path Coefficient)

Hypothesis	Parameter Coefficient	T Statistics	P Values
H1 Money supply has a significant effect on JCI (X1 -> Y)	-0.380	1.489	0.137
H2 DJIA index moderates money supply on JCI (X1-Z -> Y)	0.182	2.250	0.025

H3	BI Rate has significant effect on JCI (X2 -> Y)	0.155	1.659	0.098
H4	DJIA index moderates BI Rate on JCI (X2-Z -> Y)	0.482	4.798	0.000
H5	Inflation has significant effect on JCI (X3 -> Y)	0.226	2.302	0.022
H6	DJIA index moderates Inflation on JCI (X3-Z -> Y)	0.227	2.425	0.016
H7	DJIA index has significant effect on JCI (Z -> Y)	1.382	5.501	0.000

Source: data processing result, 2024

Based on the table of hypothesis test results, it can be explained as follows: The first hypothesis shows that the Money Supply variable has a negative but insignificant effect on the JCI, with a probability value of 0.137 and a coefficient of -0.380. H1 is rejected, meaning that although the Money Supply increased during the period 2013-2022, it did not cause a significant decline in JCI performance. The second hypothesis is that the DJIA index is able to moderate the effect of money supply on JCI with a probability value of 0.025 and a coefficient of 0.182. So that H2 is accepted, Money Supply has increased during 2013-2022 with the same increase that occurred in the DJIA Index, the JCI also increased. The third hypothesis means that the BI Rate variable has an insignificant effect on the JCI, the probability value is 0.098 and the coefficient is 0.155. This means that H3 is rejected, a 15% increase in the BI Rate during 2013-2022 did not cause a significant increase in the JCI, which indicates that the stock market can tolerate an increase in inflation. The fourth hypothesis produces a probability value of 0.000 and a coefficient of 0.482. This means that the DJIA variable is able to moderate the effect of BI Rate on JCI. The increase in BI Rate followed by an increase in the DJIA Index caused the JCI to also increase during 2013-2022. An increase in the BI Rate followed by an increase in the DJIA Index caused the JCI to also increase during 2013-2022. The fifth hypothesis has a probability value of 0.022 and a coefficient of 0.226. Means that the Inflation variable has a positive and significant effect on JCI. Therefore, H5 is accepted, indicating that the 22.7% increase in inflation during the period from 2013 to 2022 led to an increase in the JCI. This condition can be attributed to factors such as positive market sentiment, which prompts investors to react accordingly. The sixth hypothesis, DJIA is able to moderate the effect of Inflation on JCI with a probability value of 0.016 and a coefficient of 0.227. So H6 is accepted, a significant increase in Inflation followed by an increase in the DJIA Index causes the JCI to increase. The seventh hypothesis, DJIA index has a positive and significant effect on JCI, the probability value is 0.000 and the coefficient is 1.382. Therefore, H7 is accepted, this means that DJIA index has the most significant effect on JCI. When the DJIA rises, the JCI also rises, indicating a linear relationship between the US and Indonesian stock markets.

3.2 Discussion

3.2.1 Effect of Money Supply on the Composite Stock Price Index

The expansion of the money supply mirrors economic growth. As the economy advances and evolves, the quantity of money supply typically rises as well. Money supply in the capital market, both domestic and foreign, is closely related to investment. Indonesia's capital market, which has reached a global scale, allows the participation of foreign investors in its transactions. The increase in money supply leads to an increase in stock market prices (Pícha, 2017). However, although the turnover of money in the capital market tends to be high, it is temporary and fluctuates very quickly, making it unreliable as a reserve for the state treasury (Tanusdjaja & Nariman, 2019).

When the money supply increases, this information will stimulate the economy which can invest, spend money, causing an increase in sales for companies (Hellberg, 2021). However, if this happens continuously, it causes inflation (Akeerebari, 2022). Foreign investors hold a dominant position in Indonesia's capital market, which means that the money supply does not necessarily have a significant effect on the capital market. This is due to the temporary nature of foreign investment in the Indonesian capital market, which allows the money to be easily diverted back abroad by investors or invested into other financial instruments that are considered more profitable in the global market.

Tanusdjaja & Nariman (2019) and Kurniawati & Khairunnisa (2020) who found no influence between money supply and the JCI. However, different findings were obtained by Hellberg (2021) that the United States money supply is significant in explaining prices in the Swedish stock market. John et al., (2019) found that money supply is a leading indicator of stock prices in France, Germany and Portugal. Meanwhile, the results of Beh & Yew (2020) research are that the amount of money supply is a determining factor for the stock market in the United States. The money supply can be increased through open market operations where the government buys bonds and government securities from the public.

3.2.2 The Dow Jones Industrial Average Moderates the Effect of Money Supply on the Composite Stock Price Index

The high Dow Jones Industrial Average index number indicates that the US economy is doing well. In accordance with Signaling Theory, this information will be read by investors as positive input about global economic conditions. Including countries that are affected by these economic conditions is Indonesia. This is because America is the main

destination for Indonesia's export activities. So that there will be an increase in export activity, direct investment, and capital flows to the Indonesian capital market. Thus, there will be an increase in the amount of money circulating in the Indonesian capital market, and more investors will be interested in investing. Consequently, a rise in supply within the Indonesian capital market will result in higher JCI figures.

3.2.3 Effect of BI Rate on Composite Stock Price Index

The study's findings confirm that interest rates do not have a significant effect on the JCI. However, interest rates can still affect deposit and savings rates, which are other investment options for investors. Hence, even though interest rates do not have a direct impact on the JCI, they can still influence the value of investments when investors decide to invest in stocks.

The reason for this insignificant result is the tendency of investors to engage in short-term stock transactions, such as those carried out by traders or speculators. As a result, investors are more likely to seek quick profits with the aim of achieving high capital gains in the capital market. With an emphasis on short-term gains, fluctuations in interest rates may not significantly affect the JCI in the short term.

High interest rates have a major impact on businesses, with increased costs resulting in a decline in domestic production activity. The decline in production reduces the demand for funds from businesses, resulting in lower demand for bank loans and leading to fund allocation problems. Although high interest rates enable banks to collect funds and distribute credit to business actors, high interest rates encourage business actors to seek other, more efficient sources of funding (Wiralaga et al., 2022).

The results of this study are in line with the findings conducted by Sugiyanto & Sarialam (2022), Bantahari et al. (2022), Tanusdjaja & Nariman (2019), Ratnasari, Muljaningsih, & Asmara (2021) This indicates that the BI Rate does not have a significant impact on the Composite Stock Price Index. However, these findings contrast with research by Silalahi & Sihombing (2021) which discovered that the BI Rate has a significant positive impact on the JCI. However, this contradicts research that found the BI Rate to have a significant positive effect on the JCI. When Bank Indonesia raises interest rates, this has an impact on increasing deposit and credit interest rates in the community. In addition, an increase in stocks in the banking sector can also result in an increase in the JCI, as banking stocks have a significant role in increasing the JCI. Higher interest rates can also encourage people to invest more actively in the money market. Thus, although the results show that the BI Rate does not have a significant influence on the JCI, other factors such as changes in deposit rates, credit, and banking sector performance also need to be considered in analyzing capital market dynamics.

3.2.4 The Dow Jones Industrial Average Moderates the Effect of BI Rate on the Composite Stock Price Index

Bank Indonesia's decision regarding interest rates is still influenced by the actions of the Federal Reserve (the US central bank). Export and import transactions in Indonesia are still denominated in US dollars, so fluctuations in the DJIA Index can affect most global stock price indices, including the JCI. An increase in the Dow Jones Industrial Average index indicates that the overall condition of the US economy is positive. With improved economic conditions, this can encourage Indonesia's economic growth through export activities and capital inflows, both in the form of direct investment and through the capital market.

The interest rate policy implemented by the Fed can affect capital flows to and from other countries. When the Fed raises interest rates, investors may tend to move their investments to the United States to take advantage of higher rates of return. Conversely, when the Fed lowers interest rates, investors may tend to seek investment opportunities in other countries, including Indonesia. When Bank Indonesia raises interest rates, this will result in higher interest rates on deposits and loans. This impact will then be reflected in an increase in share prices in the banking sector, where banks are an important part of the economy. Stock prices in the banking sector which then increase will result in an increase in the JCI, banking stocks have a significant role in increasing the price of the JCI. An increase in interest rates will also encourage people to invest more in the money market. As a result, this can increase overall capital market activity.

3.2.5 The Effect of Inflation on the Composite Stock Price Index

The investment theory that risk and return move positively implies that when inflation increases, prices will tend to rise. This will result in increased profits for companies, which in turn will result in higher dividend yields for investors. In addition, investors will also benefit from capital gains as share prices increase. This condition will also contribute to an increase in the company's share price and overall will increase the JCI (Wibowo & Aminda, 2021). Furthermore, (John et al., 2019) emphasized that an increase in inflation in a period can cause an increase in stock prices. Directly, inflation has an impact on capital market returns.

An increase in inflation in Indonesia over a short period can have a favorable impact on stock investment returns. This is due to the ability of inflation to increase corporate earnings and simultaneously increase stock market valuations. Coupled with the tendency of low interest rates due to government policies, investment in the capital market becomes an attractive option for investors to allocate their funds (Sri Rahayu & Diatmika, 2023). Capital market investors tend to consider investing as a way to protect the value of their wealth from the effects of inflation.

Thus, an increase in inflation in the short term may stimulate investors' interest in participating in the stock market to achieve growth and protect the value of their wealth.

Investors consider inflation before investing in stocks because of its impact on the country. High inflation can reduce people's purchasing power, hinder sales, and ultimately reduce company profits. This decrease in profitability may prompt investors to withdraw their investments, weaken stock prices, and reduce the JCI. Therefore, high inflation rates are often considered an indicator of economic instability, and investors often take precautions to reduce the risks associated with high inflation before investing in stocks.

The outcomes of this study align with the findings presented by Sugiyanto & Sarialam (2022), Sri Rahayu & Diatmika (2023), Wibowo & Aminda (2021) who discovered that inflation has a positive and significant impact on the JCI. However, these results do not align with the research by Santosa & Roselli (2023) which suggests that inflation does not have a significant impact on the JCI. Additionally, they contradict the findings of Fuad & Yuliadi (2021), which indicate that inflation has a negative effect on the JCI. It is concluded that there is a variation of results in research related to the relationship between inflation and JCI, which may be influenced by different methodologies, control variables, and economic contexts.

3.2.6 The Dow Jones Industrial Average Moderates the Effect of Inflation on the Composite Stock Price Index

Dow Jones Industrial Average has the potential to moderate the impact of inflation on JCI as both are important markers in assessing a country's economic situation. Movements in the DJIA Index can reflect the direction of global markets providing important clues. With increasingly close links between global financial markets, significant changes in indices such as the DJIA can trigger responses in stock markets in other countries. Global investors often monitor changes in the DJIA Index as potential clues to organise their investment portfolios in other stock markets, which in turn can affect the JCI.

Monetary policy conducted by the US Federal Reserve, which is reflected in the performance of the DJIA, can also have an impact on inflationary conditions in Indonesia. If the Federal Reserve raises interest rates to control inflation in the US, this may affect capital flows to emerging economies, including Indonesia. Rising interest rates in the US may make investments there more attractive to global investors, thereby reducing capital flows to emerging economies such as Indonesia. The impact can be observed in the depreciation of the rupiah and the potential rise in inflation in Indonesia. A drop in the rupiah exchange rate can lead to higher import prices and drive up inflation, while an increase in inflation can impact consumer purchasing power and overall economic stability. As a result, monetary policies enacted by the US central bank can significantly influence Indonesia's economy and financial situation. A reduction in profitability may lead investors to pull out their investments, causing a decrease in stock prices and a subsequent drop in the composite stock price index.

3.2.7 The Effect of Dow Jones Industrial Average Index on the Composite Stock Price Index

An increase in the Dow Jones Industrial Average Index can positively impact the JCI as investors typically react with optimism toward the global economic outlook. This is linked to the United States being a key export market for Indonesia. Therefore, changes in US economic conditions, as reflected by shifts in the DJIA Index, can have a direct effect on the Indonesian economy through changes in the JCI (Santosa & Roselli, 2023).

When the Dow Jones Industrial Average (DJIA) Index rises, the JCI is also likely to rise, both in the short and long term. The DJIA is the world's largest capitalised index, so its movements have a significant impact on most global stock indices, including the JCI.

Economic globalisation means that turmoil in the US economy will have an impact on many other countries. This is especially true for economies that are America's trading partners, including Indonesia, which considers America as a major destination for its exports. Thus, when the US economy, reflected in the DJIA, performs well, this will boost Indonesia's economic growth reflected in the JCI through increased export activity, direct investment, and capital flows to the Indonesian capital market (Robiyanto et al., 2019).

Bank Indonesia's decisions regarding interest rates are still influenced by the Fed's movements, so export and import transactions in Indonesia continue to be conducted in US dollars. Consequently, shifts in the Dow Jones Industrial Average Index can affect most global stock price indices, including the JCI in Indonesia. An increase in the DJIA Index signals an overall improvement in the economic conditions of the United States. This economic uptick can foster Indonesia's economic growth through enhanced export activities and increased capital inflows, both in direct investments and through the capital market (Herlianto & Hafizh, 2020).

Santosa & Roselli (2023), Robiyanto et al. (2019), Herlianto & Hafizh (2020) which stated that DJIA has a significant positive influence on JCI. However, this contradicts research conducted by Kurniawati & Khairunnisa (2020) explaining that US stock exchanges tend to ignore their country's disappointing economic data related to retail sales, and pay more attention to the increase in oil prices above 50 dollars per barrel, which drives up the DJIA. For example, in 2015, the value of the JCI weakened as global demand declined, causing investor interest to decline and the value of the JCI to fall.

Based on the findings of the study and the preceding discussions, it can be concluded that the performance of the Dow Jones Industrial Average plays a moderating role in the influence of macroeconomic factors on the Composite Stock Price Index. This is attributed to the fact that the movement of the DJIA often mirrors global market sentiment regarding global macroeconomic conditions, including those in Indonesia. A rise in the DJIA is typically interpreted

as a positive signal, fostering optimism about US and global economic expansion. In times of economic growth, there is usually an uptick in stock investment transactions due to increased purchasing power among consumers. This surge in transactions is driven by investor confidence worldwide, including in the Indonesian stock market, ultimately leading to an increase in the JCI. Conversely, a decline in the DJIA may instill concerns about a slowdown in the global economy, including in Indonesia, which heavily relies on the US as an export destination. This could prompt investors to exercise caution and reduce confidence in the Indonesian stock market, potentially resulting in a downturn in stock prices and the JCI.

4. CONCLUSION

Based on the results discussed previously, it can be concluded that the Inflation and DJIA Index variables have a positive and significant impact on the JCI. Meanwhile, the Money Supply variable has a negative but insignificant effect on the JCI. The BI Rate variable does not have a significant effect on the JCI. Both Inflation and the DJIA Index have a positive and significant influence on the JCI. Additionally, the DJIA Index can moderate all macroeconomic variables, including money supply, BI Rate, and Inflation, in relation to the JCI from 2013 to 2022. Changes in macroeconomic variables in Indonesia play a minor role in fluctuations in the JCI, whereas variations in the DJIA have a substantial impact on the Composite Stock Price Index in Indonesia over the long term. This suggests that the Indonesian stock market remains heavily reliant on the global stock market, particularly that of the United States. One limitation of this study is the omission of certain macroeconomic variables. Future research should consider incorporating additional macroeconomic variables, include stock market indices from other ASEAN countries, replace the DJIA Index moderation variable with Economic Growth, and employ volatility analysis methods for each variable prior to conducting regression tests or SEM analysis.

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