

SUMMARY

This research is an empirical study on the effect of inflation, exchange rate, BI rate and industrial production index on the movement Jakarta Composite Index 2010 – 2014. The importance of macroeconomic conditions for movement Jakarta Composite Index for developing countries are important, in order to support capital market activity. The purpose of this research was to analyze the effect of inflation, exchange rate, BI rate, and industrial production index on the Jakarta Composite Index in Indonesia Stock Exchange.

This research used the business cycle theory. This research uses secondary data. Secondary data were obtained from literature and data taken from several publications issued by Bank Indonesia, *Badan Pusat Statistik* and Yahoo Finance. This research uses a quantitative method with multiple regression analysis. Hypothesis are tested using partial test, joined test (F test) and adjusted R^2 .

The results showed that the variable BI rate significant negative effect on the movement of Jakarta Composite Index, which means increasing BI rate will decrease Jakarta Composite Index. This study shows the industrial production index variable significant positive effect on the Jakarta Composite Index, which means the greater industrial production index will raise the Jakarta Composite Index. From the results of these research also found that the variable inflation and exchange rates had no significant effect on the Jakarta Composite Index in Indonesia Stock Exchange.

As implications to increase stock price needs government's efforts to encourage the industrial sector as the main engine for economic growth because there are positive relation between industrial production index and Jakarta Composite Index. For investors who would conduct stock investment should pay attention to the information related BI rate and industrial production index because this research result shows there is a significant effect on Jakarta Composite Index.

Keywords: *Jakarta Composite Index, Inflation, Exchange Rate, BI Rate and Industrial Production Index*