CHAPTER V
CONCLUSIONS AND IMPLICATIONS

A. Conclusions

This researchexamine the magnitude of stock return and volatility spillovers from Japan and the US toward Indonesian capital market. This research is estimated for impact and relationship between three stocks, for the period between 2007 until 2011. The period selected for their Global Financial Crisis caused by the Subprime Mortgage Crisis. Based on estimates of calculation on stock returns in the capital markets of Indonesia, the US and Japan, it can be conclude:

1. Global Financial Crisis which occurred in the middle of 2008, had a major influence on the world economy. This research proved significant results during the study period from the global capital market, represented by the US market and regional capital market as represented by the Japanese market proved to give impact to the market in Indonesia. This proves that indeed the impact of volatility in global capital market and from the regional market to Indonesian capital market.
2. The testing causal relationship between the three stocks, including Indonesia (JKSE), the US (GSPC), and Japan (N225) found significant results. Proven as previous research, that our country has a very influential role on the world economy. On these estimates found that Indonesia and the United States have a unidirectional relationship, it is evident from the influence of the global crisis

which started from subprime mortgages in the United States, giving a considerable impact on the capital market in Indonesia. But different things shown in the relationship between capital markets in Indonesia and Japan is bidirectional causality relationship. This is result supported from research by Martin (2009) which states that Indonesia and Japan have a bidirectional relationship.

B. Implications

Based on the above conclusions, the advice that can be given is:

1. There are several things that can be done to reduce the impact shock on return, including :
    a. Stocks in The US and Japan have high volatility and strongly correlated with Indonesian capital market. Therefore, market participants should have a strategies to reduce the impact of crisis.The intended strategy, the investor is able to speculate determine the right time to buy, sell and hold shares. Has been known to contagion effects from the US and Japan to Indonesian capital market, when a crisis. So that investors can make informed decisions for their shares as to reduce the risks.
    b. Improved policies to maintain normal range of movement in the stock price index stock market by a certain authority. This has been done by BAPEPPAM during a financial crisis in 2008. However, the results of

the analysis in this paper shows that such policies need to be improved to be more effective to reduce the volatility of the stock market at times of crisis.

2. When there is a crisis of market participants, and the managing authority should anticipate changes in volatility on the capital markets, i.e.:
    a. For market participants should not make declining panic selling during the stock price index. Panic selling when the crisis occurs simultaneously will lead to an increased risk of higher.
    b. Capital market authorities are also expected to increase surveillance on stocks that are bubbles. The characteristic of bubble stock transactions in times of crisis, generally will be rectified. If they occur in large numbers, there will be a massive correction, so it will lead to increasing the number of risks.
3. This research was conducted using three stock market indices, namely the Jakarta Composite Index, Standard & Poor's 500 and the Nikkei 225. Therefore further research is expected to increase the number of indicators used in the analysis, such as the impact of Eurozone market to Indonesian Stock Exchange or the impact of development country to devlopment country like a BRIC market to Indonesian Stock Exchange. Total index in estimation is expected to expand the analysis done.