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Analysis of The Relationship Coincident Economic, A Leading Economics and Regional Index Against The Jakarta Islamic Index

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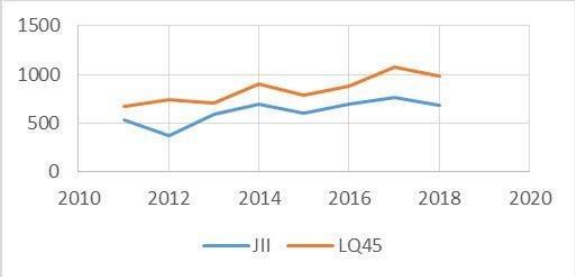
Abstract: The Islamic Sharia capital market has a literacy rate and very low inclusion, and one instrument has a fluctuating every development at I.E. Jakarta Islamic Index (JII) it is becoming a language interesting given Sharia Capital Market have an essential role because of the most significant contributorfor the assets into the Islamic finance industry Indonesia. Thus, this research aims to find out how the influence of economic indicators—leading Economic Indicator (LEI) composed of Customer Price Index (CPI) and the value of the exchange rate, the Coincident Economic Indicators (CEI) consisting of Retail Sales and money supply (M2) and the last Regional Index where authors take first stock index in the world, i.e. Index Dow Jones Islamic market and index the Dow Jones Industrial Average with the Jakarta Islamic Index. This research analyses Vector Error Correction Models (VECM) and secondary data for 60 periods from January 2014 to December 2018. This study showed that Retail Sales, the Dow Jones Islamic market, and the Dow Jones Industrial Average Index did not affect, Money supply (M2), and a negative exchange rate effect during the Customer Price Index (CPI) a positive effect. The implications of this research, namely the development of the Jakarta Islamic Index (JII), will be affected by the macro-economic variables. The money supply (M2), Customer Price Index (CPI), and the exchange rate become variable, which has influence is quite high. In comparison, the Retail Sales, the Dow Jones Islamic Market (DJIM), the Dow Jones Industrial Average (DJIA) has influence but are not so strong. Therefore needed the stability condition of the macroeconomy, so the share price development of the Jakarta Islamic Index (JII) is stable and moving up.

Keywords. JII, VECM, Coincident Economic Indicator, The Leading Economic Indicator, Regional Index.

INTRODUCTION

Indonesia is the country with the most Muslim population, based on the census of the Indonesian population in 2010 amounted to 207,176,162 inhabitants (BPS, 2010). Thus, Indonesia has enormous potential to develop the sharia financial industry. Even becoming a Global Player should be realized because Indonesia has abundant natural wealth that can be used as the underlying transaction sharia finance industry. However, the data showed that the conventional financial inclusion index reached 67.82%, while the sharia financial inclusion index amounted to 11.06%. The details of the data on the Sharia capital market have a 0.02% literacy and inclusion of 0.01% (OJK, 2016).

Director of Sharia capital market, the Financial Services Authority Fadilah Kartikasari said that the biggest contributor to Sharia financial industry assets in Indonesia is the Sharia capital market. He said that for the Indonesian Sharia capital market, Outside of stock capitalization, it contributes as much as 55% or Rp. 661.71 trillion (Okezone, 2018). Sharia, capital market investments are instrumental in the development of Sharia financial industry market share, where the Jakarta Islamic Index (JII) becomes one of the benchmark performances of the Sharia capital market. Alfatih (Rahmawati, 2019) stated that JII's performance began to be seen last year in June 2018 when the performance has started to exceed the performance of IDX. In October, JII recorded an increase of 2.12%, while the IDX only increased by 1.98%. Moreover, that is still the problem is that the value of price and development of Sharia index is still small under conventional stock indices.



Picture JII and LQ45 Comparison

Sumber: *Otoritas Jasa Keuangan* (2018).

Although in the year 2018, JII performance exceeds the JCI, from Figure 1.1 can be seen that the value of the stock price of the Jakarta Islamic Index (JII) has a fluctuating development annually, in 2011 by 537.03. Then decreased in 2012 of 372.29 and increased in the year 2013 to 2014 of 585.11 and 691.04, and continued to increase from the year 2015 to 2017, namely 603.35, 694.13 and 759.07 points, and The last in 2018 decreased again to 685.22 (OJK, 2018). Then Sharia shares are seen from the development of small indices under conventional stocks, which can be seen from the value of the stock index of LQ45, which each year has a higher value than the Sharia stock index Jakarta Islamic Index (JII) (OJK, 2018).

However, the Jakarta Islamic Index (JII) is a stock that has a large capitalization, so that this research can be avoided from the potential use of sleep stocks. The Real Business Cycle theory states that the economy has repeatedly undergone a period of expansion and contraction period. A cyclical economic movement can then be used as a guideline for forming economic indicators. Economic indicators consist of several macroeconomic variables with certain characteristics that can be grouped into Leading Economic Indicator (LEI) and Coincident Economic Indicator (CEI), namely to describe the upcoming economy and the current economy (Rahman & Arfianto, 2014).

In this research, the Leading Economic Indicator (LEI) variable is used by the Customer Price Index (CPI) variable and exchange rate, then the Coincident Economic Indicator (CEI) variable using Retail Sales and the amount of money supply (M2). The research conducted by Rusbariand DKK (2012), stating that the rupiah exchange rate was negatively and statistically significant from JII in the Indonesian stock exchange during January 2005-March 2012. This is in line with the results of research Suciningtias DKK (2015), stating that inflation and the exchange rate of IDR/USD significantly negatively influence the Indonesian Sharia stock index (ISSI) period of May 2011 to November 2014.

One of the ones describing the country's economy is the stock index in the country, including the United States. One of the indices in the Americas is the Dow Jones Islamic Market index which is the first index in the world and describes Global stock performance based on Sharia principles. Indices representing the movement of sharia stocks in the world and Indonesia are included. Then the Dow Jones Industrial Average Index, the oldest conventional index, describes the movement of all stocks in the United States and is thought to influence the stock indices in Indonesia as contagion effect theory is the theory that the larger capital market affects the smaller capital markets, as there are chain change phenomena (Pratama, 2012).

Based on the above exposure, the authors want to examine how the relationship of macroeconomic variables are divided into two parts, Leading Economic Indicator (LEI) variables consisting of Customer Price Index (CPI) and exchange rate, then variable Coincident Economic Indicator (CEI) consisting of Retail Sales and amount of money supply (M2) and Regional Index where the authors take the first stock index in the world, the Dow Jones Islamic Market index and Dow Jones Industrial Average index with Jakarta Islamic Index (JII). Moreover, after seeing the data all the time series, the authors use the analysis tool Vector Error Correction Model (VECM).

So the question of the proposed research is the extent of the influence of Retail Sales, amount of money supply (M2), Customer Price Index (CPI), exchange rate, Dow Jones Islamic Market (DJIM), Dow Jones Industrial Average (DJIA) against the Jakarta Islamic Index (JII). Based on the problems that have been displayed above, it is generally the purpose of this.

Research is to know how much influence from independent variables, namely Retail Sales, amount of money supply (M2), Customer Price Index (CPI), exchange rate, Dow Jones Islamic Market (DJIM), Dow Jones Industrial Average (DJIA) on the dependent variable of the Jakarta Islamic Index (JII). The proposed hypothesis is that there are positive influences of the variable Retail Sales, Dow Jones Islamic Market (DJIM), Dow Jones Industrial Average (DJIA) on the Jakarta Islamic Index (JII), and negative influences.

LITERATURE REVIEW

THEORETICAL FOUNDATION

Investment and Capital Market

Alexander and Shape said the investment is a certain value sacrifice in force today to obtain value in the future and yet to be assured of its magnitude (Wiyanti, 2013). Then according to Sadono Sukirno (2002), investment can be interpreted as spending or shopping of investors or companies to buy capital goods and production equipment to increase the ability to produce goods and services available in the economy.

In the Islamic economic system, sharia investment not only discusses the worldly issues as expressed by secular economists, more so, but other elements that determine the success or absence of an investment in the future, The provisions, and will of God. Islam combines the world dimension and the hereafter. After the temporary life of the world, there is a lasting life of the hereafter. (Pardiansyah, 2017).

Sharia capital market is an activity in the capital market that does not contradict Sharia principles. Sharia capital market is not a standalone capital market and is separate from the capital market activities in general. The mechanism of issuance and trading of securities in the Sharia capital market follows the concept of the capital market in general, except for those things that are expressly forbidden Sharia (Wiyanti, 2013).

Based on the article on the Islamic Capital market practice written by Sofyan Rizal, it is said that Metwally raised the function of Sharia capital market among others (Yafiz, 2015) that makes it possible for communities to participate in activities Business by gaining part of its profits and risks, enabling shareholders to sell their shares for liquidity, enabling the company to raise outside capital to build and develop its production line, Separating business activity operations from short-term fluctuations in stock prices that are a common characteristic of conventional capital markets, enabling investments in the economy is determined by the performance of business activities as reflected in the stock price.

Jakarta Islamic Index (JII)

Sharia share is a certificate that shows proof of ownership of a company issued by an issuer whose business activities and the manner of management are not in opposition to the sharia principle (Faqih, 2018). One of the sharia stocks in Indonesia is the Jakarta Islamic Index (JII).

Investing in Islam is highly recommended and is one of the activities where the investment property is expected to be productive and can benefit the people and the crowd. Al- Quran strictly prohibits the filling (Iktinaz) of the property owned (Wiyanti, 2013), as mentioned in the Qur'an letter At-Tawbah Verse 34, which means the following:

> "O people of faith, indeed, most of the Jewish men and the monks of Christianity actually ate the treasures of the people with the way of the flesh, and they did drive (man) from the way of God. And the people who save gold and silver and do not recite it to the way of God, then tell them, (that they shall have) a poignant torment "

The Jakarta Islamic Index (JII) is the first Islamic stock index launched in the Indonesian capital market. Jakarta Islamic Index (JII) is one of the stock indices in Indonesia that calculates the average stock price index for the type of shares that meet the criteria or principles of Islamic Sharia. JII was established to respond to the needs of the community towards growing Sharia instruments. The purpose of the establishment of JII is to increase investor confidence and provide benefits for investors in running Islamic Shariah to invest in stock exchanges. JII is also expected to support the process of transparency and accountability of Sharia-based stocks in Indonesia. For now, Indonesia.

has 3 indices that list DES namely Sharia stock index Indonesia (ISSI), Jakarta Islamic Index (JII) and JII 70 (Senjani & Wibantoro, 2018).

Sharia stock Syariah Compliance analysis

Capital markets generally have two types of markets in the Sharia capital market of Indonesia, namely the primary market and secondary market. In the primary market, the capital market accommodates the company'sCompany's interests with the capital owners to invest their funds in the institution in the hopes of obtaining a profit/profit from investing in the capital markets, which are distributed from the company's profits.

While the secondary market formed capital gains, this secondary market is formed by the flow of funds between the owners of capital in the household sector. It will be more and more because it provides benefits between the parties that Bert] in the secondary market and the shortterm funds, also provides A great advantage. However, this is uncertain or better known for speculation because the established market mechanisms determine the rise and fall of the stock price. There are some impacts on the presence of secondary market: the development of non-real sectors, the occurrence of the Maysir, not met with the sale of sales, namely the object of Akad and Ijab Qabul, causing an economic bubble. Therefore, the sharia capital market should not practice the secondary market because some things are against sharia.

Theory of Contagion Effect

Contagion Effect (Domino theory) is a chain change phenomenon based on strategic geo-political and geo-principles. The object of this domino theory is geographically adjacent countries, for example, located within one area. The domino effect on a developed country will affect developing countries and countries that are geographically adjacent. Some companies that have listings in IDX also cooperate with companies in the United States and Malaysia, so it will bring influence to the Indonesia Stock Exchange when there is volatility in the Dow Jones Index (U.S.) and KLSE Index (Malaysia) (Jayanti, 2014). Therefore, the contagion effect theory is that the larger capital market affects the smaller capital market (Pratama, 2012).

The occurrence of a domino effect is a natural thing when a country that has enough influence is affected by a crisis or a problematic system of its economy. Like a domino game, when one of the dominoes Falls and befalls the domino in the front row, it will result in a similar to the last domino falling or enduring. Investor behavior can also be the cause of the domino effect in the capital market, which is the behavior of investors who focus on liquidity problems that can cause such an effect (Ikrima, 2013).

Real Business Cycle theory

The business cycle is a fluctuation found in aggregate economic activity, where there are four stages in its movement, i.e., the bottom point (trough), expansion, peak, and recession. According to Burns and Mitchell's excerpted from the Muhammad Fajar Research (2017), The first time defining the business cycle is as follows:

> "*Business cycles are a type of fluctuation found in the aggregate economic activity of nations that organize their work mainly in business enterprises: a cycle consists of expansions occurring at about the same time in many economic activities, followed by similarly general recessions, contractions, and revivals which merge into the expansion phase of the next cycle; in duration, business cycle vary from more than one year to ten or twelve years; they are not divisible into shorter cycles of similar characteristics with amplitudos approximating their own.*"

In a nutshell, by definition, Burn and Mitchell's business cycle is a type of fluctuations found in aggregate economic activity (Dawn, 2017). In simple terms, RBC theory can be described as a model that attempts to explain aggregate fluctuations in the business cycle through the shock of the riel in the economy, such as productivity and technology (Ahmad, 1996).

Teori *Real Business Cycle* menyatakan bahwa perekonomian secara berulang-ulang mengalami periode ekspansi dan periode kontraksi meskipun panjang dan perubahan kondisi ekonomi berlangsung secara tidak teratur. Pergerakan perekonomian yang bersiklus kemudian dapat dijadikan pedoman untuk membentuk indikator ekonomi. Indikator ekonomi terdiri dari beberapa variabel

makroekonomi dengan karakteristik tertentu yang dapat dikelompokan menjadi *Leading Economic Indicator* (LEI) dan *Coincident Economic Indicator* (CEI). (Rahman & Arfianto, 2014).

***Leading Economic Indicator* (LEI)**

The Leading Economic Indicator, or frequently abbreviated LEI, is some economic indicators used to predict future economic conditions. The purpose of the leading indicator is to anticipate the economic situation in the future by looking at the leading indicator movement that initiated the movement of economic conditions (Courter, 2019). Because leading economic indicators can predict the direction of the economy, government officials often use them as a reference in determining a policy. The goal is to design policies for tackling negative situations as early as possible, such as recession (Martin, 2012).

a. *Customer Price Index* (CPI)

Customer price Index (CPI), or in Indonesian, is the consumer prices index, which is the price index of goods always used by consumers (Sukirno, 2002). Customer price Index (CPI) or consumer pricing index can be interpreted as a price index of the cost of a set of consumables that are each weighted according to the proportion of the public expenditure on the commodity concerned. The Customer Price Index (CPI) measures the price of a specific set of goods (such as staple groceries, clothing, housing, and miscellaneous goods and services) purchased by consumers (Wikipedia, 2018).

Customer Price Index (CPI) is one of the important economic indicators that can provide information on the development of Goods and services (commodities) paid by consumers or communities, especially the city community. The change in the Customer Price index (CPI) over time shows the fluctuations in the community's price of goods and services. (Lssnusa, H.W. WM, A. N, & M. Y, 2016). The Customer Price Index (CPI) is the most frequently used but not the only index. There is still a producer price index, which measures a group of goods purchased by the company, not consumers (Mankiw, 2007).

b. Kurs

The currency exchange rate often referred to as exchange rates, is the price of one foreign currency unit in domestic currency. It can also be said that the domestic currency price is against the foreign currency (Ilmi, 2017). Then Suparmono and Eleonora Sofilda (2016) stated that the exchange rate of foreign rupiah is the value of the IDR expressed in the value of the foreign currency.

If the exchange rate increases, it means that the rupiah is depreciation, while if the exchange rate decreases, then the rupiah is appreciating. A country's policy formally raises the value of its currency against a foreign currency called a revaluation. In contrast, the policy of lowering the currency value against the foreign currency is devaluation (InforexNews, 2017).

In the theory of the Islamic exchange rate, the cause of appreciation or depreciation of the exchange rate of a currency in Islam is classified into two groups, namely Natural and Human Error. In addition, the policy of currency exchange in Islam can be said to embrace the "Managed Floating" system where the exchange rate is the result of government policies (not away or the policy itself) because the government does not interfere. The balance that occurs in the market except in the event of disturbing things that interfere with the balance itself. So it can be said that a stable exchange rate results from proper government policy (Karim, 2006).

***Coincident Economic Indicator* (CEI)**

In business cycle analysis are known three kinds of composite indexes, each of which is a combination of several variables. The three indices are the leading, coincident, and lagging indexes. The coincident index moves along with the reference series. Lagging index moves following (Lag) coincident or reference series. The coincident index can provide an overview of the current economic situation. The results of the variable grouping into the Coincident and Lagging variables show that Retail Sales, Cargo Domestic, GDP Financial, GDP China, Consumer Confidence U.S., DJI, M1 Real, electricity sales is a coincident index that can be used to To confirm Indonesia's economic growth (Riyanto & Hendranata, 2014).

Coincident Economic Indicator (CEI) is used to determine the economic condition of a country currently in the reference series. In other words, Coincident Economic Indicator (CEI) is an indicator that is made to describe the current economic conditions. The decline in Coincident Index illustrates.

The activity of the economy, and vice versa. Coincident Index is falling three times in a row, indicating a problem in the economy that needs to be wary of if continuous sharp drops, the mark of the economy is in recession (Sumantri, 2012).

a. Retail Sales

Retail sales or retail sales are used as one of the Coincident Economic Index forming variables. The higher level of Retail Sales can mean that the country's economic growth is increasing. Data Retail Sales provide an overview of consumer purchasing power trends that have a major influence on a country's economy (Rahman & Arfianto, 2014).

Retail Sales is one of the important fundamental economic reports that people with financial markets always notice. This indicator shows the level of consumer spending that is an important component of a country's economic activity, so the influence of Retail Sales on the exchange rate is quite large. Retail Sales Data increase can have a positive effect on the exchange rate.

***b.* Total money supply (M2)**

The money supply is all types of money in the economy, i.e., the number of currencies in circulation and the money in the commercial banks (Mukhtar, 2019). Factors affecting the money supply are net foreign assets (NFA) and net domestic assets (NDA)... Clean domestic assets include net Claims on Central Government (NCG) and bills to other sectors (private sector, regional government, financial institutions, and non-financial enterprises), especially In the form of loans (Rahman & Arfianto, 2014). The amount of money supply is not only determined by central bank policies but also by household behavior (which holds money) and banks (where money is deposited) (Mankiw, 2007).

Regional Index

The stock price index, according to Mohamad Samsul, is a mirror of the fluctuations in the market stock price, which is expressed in a number and is based on a certain base number. The base number is the initial index number before the market price is formed. Stock indices are used for analytical purposes and avoid the negative impacts of stock prices in Rupiah. In comparison, the regional index is an index whose components consist of stocks listed in several countries (Rahman & Arfianto, 2014). In this research, the authors use the regional indices of the Dow Jones Islamic Market Index and the Dow Jones Industrial Average index.

a. *Dow Jones Islamic Market* Index (DJIM)

The Dow Jones Islamic Market (DJIM) index was the first Islamic index to be launched in February 1999 in Bahrein. The Dow Jones Islamic Market Index (DJIM) is one part of the Dow Jones Global Index, which covers stocks from 34 countries and covers ten economic sectors, 18 market sectors, 51 groups, and 89 industrial subgroups based on the DOW classification standards Jones Global (Huda & Heykal, 2010). This index is introduced to Sharia-compliant equity. This index indicates how the Sharia technology stocks perform in one group. There are currently 70 DJIM indices (Abdullah & Chee, 2012).

Syafiq mentioned that the Sharia Supervisory Board (SSB) does not include the calculation of the Dow Jones Islamic Market (DJIM) index on shares of companies engaged in the field of illegal Business (Gom, 2013). Dow Jones used a two-step scanning process to find a halal investment that is first, the companyCompany of the Haram industry is filtered. These industries include alcohol, tobacco, pig products, conventional financial services, weapons and defenses, and entertainment. Secondly, it was examined with a set of financial RIBA filters to get rid of stocks with unacceptable debt or RIBA income (Abdullah & Chee, 2012).

b. *Dow Jones Industrial Average Index* (DJIA)

The Dow Jones Industrial Average (DJIA) was one of the stock indices founded by the Wallstreet Journal editor and founder of the Dow Jones & Company Charles Dow. Dow as a way to measure the performance of industrial components in the American stock market. (Gom, 2013). The Dow Jones Index is one of the United States stock market indices, which contains 30 companies that are counted in the base point unit. It is the world's most cited oldest index, which was launched on 26 May 1896 and was founded by Charles Dow, Edward Jones, and Charles Bergstresser. The index was made in order to illustrate the American Economic movement States. The thirty shares included in DJIA consist of all types of industry except for the needs and transportation sectors traded on the

NYSE and Nasdaq. At first DJIA index consists of 12 issuers and then developed into 30 issuers (Puspita, 2018).

The index was chosen because today, the United States economy has a strong impact on all countries' investors and companies in the United States. Eun and Shim also stated that the United States market is the most influential capital market, so the changes in the United States market will influence other capital market movements. For example, the crisis that originated from the subprime mortgage crisis in the United States has an extensive impact on the global financial sector and develops into a global financial crisis that spreads to many countries worldwide, including Indonesia. Over the years 2008, almost all global exchanges recorded a large decline while capturing the worst records in Indonesia (Wicaksono & Yasa, 2017).

PREVIOUS RESEARCH

Puspita (2018) has explained that the trade that occurs between countries will certainly affect the stock index of the country, both seen from the performance and the movement of the stock index. That is because export-import will affect the economic growth of Exporter countries that will influence the country's exchange rate, affecting the growth of the exporter country that impacts its index movements. On the other hand, the United States is the country's most exporting and importing country with Indonesia. Therefore everything that affects the economy of the United States will have an impact on the Indonesian economy.

In addition, the Coincident Economics Indicator (CEI) variant is Retail Sales and the amount of money supply. For the variable amount of money supply (M2), the higher growth will trigger inflation, and of course, this will negatively affect the equity market, including the Jakarta Islamic Index (JII) (Heriyanto & Ming Chen, 2014). Based on research conducted by Sumantri (Sumantri, 2012), the Retail Sales variables have a significant positive effect on the Jakarta Islamic Index (JII).

RESEARCH METHODS

In this research, the research object is a macroeconomic variable that is a Leading Economic Indicator (LEI) consisting of Customer Price Index (CPI) and exchange rate. Then the variable Coincident Economic Indicator (CEI) consisting of Retail Sales, amount of money circulating (M2), and Regional Index, where the author chose the world's first stock indices. The Dow Jones Islamic Market Index and the Dow Jones Industrial Index Average and its relationship with the Jakarta Islamic Index (JII) from January 2014 to December 2018.

The research methods used in this research are quantitative and use correlational research and aim to examine how variations on a particular factor relate to variations – Variation of other factors based on the correlation coefficient (Suryana, 2010).

The type of data used is secondary data is quantitative and uses monthly data. The data used in this research is obtained from websites relating to the variables of each of the Financial Services Authority Website, Bank Indonesia Web site, and Web Site Market Watch.

The data analysis used is the Vector Error Correction Model (VECM) analysis because it adjusts to the time series data. The Vector Error Correction Model (VECM) is a derived method of VAR. Techniques for correcting short-term imbalances leading to long-term balance. VECM is a form of Vector Autoregression. This additional restriction should be given because of the existence of data that is not stationary but cointegrated (Tanjung & Devi, 2013).

This analysis considers the fluctuation of data moving around the long-term trend. The VECM model is used to analyze the correction of the dependent variables due to a condition of imbalance in some variables (Ekananda, 2014). They were using the Eviews 9.0 software tool. The initial step is to test the data with the stationarity test, stability, and cointegration, determining the optimum Lag. Subsequent models can be tested for their influence through the causality test of Engel-Granger and VECM. That was ultimately carried out Test Impulse Response Function (IRF) and Forecast Error Variance Decomposition (FEVD).

DISCUSSION

a) Test Stasioneritas

The first step is to use the stationery test where the time series data is used to have a unit root that could cause the data to be stationary at a level, using the Augmented Dickey-Fuller (ADF) approach. If the result of the absolute value of T-ADF is less than the absolute value of MacKinnon critical value, then the data has been stationary to a real level of five percent, the tool used to test the station is EViews 9 and the result of Testing are:

Table Test results of Stationarity

Variable	Unit Root	ADF Statistic	Mackinnon critical value (5%)	P-Value	Description
JII	Level	-2.232056	-2.911730	0.1975	Nonstationary
	1st difference	-6.751727	-2.912631	0.0000	Stationer
	2nd difference	-13.47936	-2.913549	0.0000	Stationer
Retail Sales	Level	-2.556705	-2.915522	0.1082	Non Stationer
	1st difference	-7.177608	-2.915522	0.0000	Stationer
	2nd difference	-9.719276	-2.925169	0.0000	Stationer
M2	Level	-1.168071	-2.917650	0.6817	Non Stationer
	1st difference	-2.504012	-2.917650	0.1203	Non Stationer
	2nd difference	-10.55481	-2.917650	0.0000	Stationer
Customer Price Index	Level	-1.164826	-2.911730	0.6839	Non-stationer
	1st difference	-2.628461	-2.917650	0.0937	Non Stationer
	2nd difference	-6.339021	-2.918778	0.0000	Stationer
Kurs	Level	-1.290991	-2.911730	0.6282	Non Stationer
	1st difference	-9.409120	-2.912631	0.0000	Stationer
	2nd difference	-9.196816	-2.915522	0.0000	Stationer
DJIM	Level	-1.441317	-2.911730	0.5560	Non Stationer
	1st difference	-7.998097	-2.912631	0.0000	Stationer
	2nd difference	-7.690887	-2.915522	0.0000	Stationer
DJIA	Level	-0.984294	-2.911730	0.7534	Non-stationer
	1st difference	-7.197990	-2.912631	0.0000	Stationer
	2nd difference	-8.444897	-2.914517	0.0000	Stationer

Source: Data Processing result Eviews 9.0

At the 2nd stage of this difference, all variables have been stationary at a rate of 5% due to P-Value < 0.05. Also, by looking at the results of the absolute value of the T-ADF is smaller than the absolute value of MacKinnon Critical Values. When the root test unit root test results all data have been declared stationary at the level of second difference, then the data can be processed to the next stage of Test Optimum Lag.

Optimum Lag Length Test

The second step to take to estimate the VECM model is to determine the optimum length of Lag. This step is determined by looking at the results of the Likelihood Ratio (L.R.) criteria, Final Prediction Error (FPE), Akaike Information Criteria (AIC), Schwarz The Information Criteria (S.C.) and Hannan-Quin Criterion (H.Q.) are marked with the number of signs (*). The Lag with the most asterisks will be the chosen Lag to perform the estimate later, the test lag in this study using the Eviews 9.0 application.

Based on the test results of the optimal lag length, it can be seen that the value has the most asterisks.

(*) is found in the largest Lag, so the Lag of the value is lag 1, then the research is lag one is a lag Most optimum.

VAR Model Stability Test

The stability of the VAR value can be seen from the inverse root's value of his polynomial A.R. characteristics. As for the stability test in this study using EViews 9.0. Here is the result of the stability test EViews output:

Table VAR Model Stability Test

Root	Modulus
0.986990	0.986990
0.805037 - 0.024858i	0.805420
0.805037 + 0.024858i	0.805420
0.744626	0.744626
0.633028	0.633028
0.322691 - 0.274888i	0.423902
0.322691 + 0.274888i	0.423902

Source: Data Processing result Eviews 9.0

Based on table 4.3, The result of the modulus value indicates that no value exceeds the value of one with susceptible values ranging from 0,423902-0.986990, so it can be concluded that this model is stable at the length of each Lag, so it could Conduct FEVD (Forecasting Error Variance Decomposition) test on this model and can also produce a valid output.

Cointegration Test

This test is done to determine whether there will be a balance in the long term that there is a similarity of movement and stability of relationships between variables in this study or not also to know the variables That are not stationary individually can be cointegrated or not. A dispute can be concluded that there is a cointegration relationship when the value of trace statistic or max Eigen statistic is greater than the value of critical value 5 percent. This test was conducted using the Jonahsen Cointegration test in the EViews 9.0 application.

Based on the econometric analysis, it can be seen that there is one cointegration at a significant level of 5% among the seven variables used. Furthermore, trace value statistic and max Eigen statistic is greater than the critical value. Then the result is a cointegration relationship. This indicates that this variable has a stability/balance of movement in the long term. This equation has a long-term balance relationship. With the existing cointegration, the model used in This research is a Vector Error Correction Model (VECM).

Engel-Grenger Causality test

The next step in the VECM method is an Engel-Granger causality test. This model is done to know the effect of the Jakarta Islamic Index (JII) variable on retail sales, the amount of money supply (M2), CPI, DJIM, and DJIA likewise With the opposite influence or in other words to see if the two variables have a reciprocal relationship and have a cause-effect relationship with the other variables significantly (Basuki & Prawoto, 2010). Furthermore, test the causality done using EViews 9.0. Here are the results of the test:

Table
The result of the Engel-Granger causality test

Null Hypothesis:	Obs	F-Statistic	Prob
LN_JII influenced LN_RS	59	0.00025	0.9876
LN_JII influenced LN_M2	59	0.28031	0.5986
LN_JII influenced LN_CPI	59	0.68294	0.4121
LN_JII influenced i Kurs	59	3.11443	0.0831
LN_JII influenced DJIM	59	0.77294	0.3831
LN_JII influenced DJIA	59	0.29340	0.5902
LN_M2 influenced LN_RS	59	14.0986	0.0004
LN_RS influenced LN_M2	59	4.02160	0.0498
LN_CPI influenced LN_RS	59	11.1652	0.0015
LN_KURS influenced LN_RS	59	6.19263	0.0158
LN_RS influenced LN_Kurs	59	4.47889	0.0388
LN_M2 influenced LN_kurs	59	4.23682	0.0442
LN_CPI influenced LN_Kurs	59	5.04917	0.0286
LN_DJIM influenced i LN_Kurs	59	6.48242	0.0137
LN_DJIA influenced LN_Kurs	59	4.30565	0.0426

Source: Data Processing result Eviews 9.0

As mentioned earlier that this test is used to see if intercompany variables have causality or not. Based on table 4 above, the result indicates that the level is five percent which is when the value of Probability under 5% or 0.05 that is M2 variable influenced retail sales and vice versa, CPI, and exchange rate affected R.S., then the variables R.S., M2, CPI, DJIM, DJIA influenced the exchange rate.

Vector Error Correction Model (VECM) test

Vector Error Correction Model (VECM) is a form of VAR that is terrestrial due to the existence of data that is not stationary and cointegrated; VECM estimation results will generate long-term and short-term relationship between JII, retail sales, amount Money Supply (M2), CPI, exchange rate, DJIM, and DJIA.

Table

***Vector Error Correction Model* (VECM) test**

Long Term			
Variable	**Koefisien**	**T-Statistic**	**Conclusion**
LN_JII	1.000000	-	-
LN_RS	2.287136	1.15746	Not significant
LN_M2	-32.66952	-5.19981	Significant
LN_CPI	62.08395	4.94474	Significant
LN_KURS	-5.047758	-2.51439	Significant
LN_DJIM	1.653239	0.46534	Not significant
LN_DJIA	1.708585	0.45371	Not significant
Short Term			
Variabel	**Koefisien**	**T-Statistic**	**Conclusion**
LN_JII (-1)	0.006660	0.04025	Not significant
LN_RS (-1)	0.048952	0.36127	Not significant
LN_M2 (-1)	0.231231	0.34337	Not significant
LN_CPI (-1)	2.314347	2.34591	Significant
LN_KURS (-1)	-0.156125	-0.46779	Not significant
LN_DJIM (-1)	0.598523	1.68413	Not significant
LN_DJIA (-1)	-0.148658	-0.46463	Not significant
R-squared	0.387994		
Adj.R-squared	0.164090		

Source: Data Processing result Eviews 9.0

According to table 5, variables that significantly influence the long-term I.E. variable M2, CPI and exchange rate, M2 negatively affect, CPI positively affects and exchange rates negatively affect. Meanwhile, the rest of R.S., DJIM and DJIA variables are not significant to JII. And in the short term only variable CPI affects JII.

The values of R-square and ADJ. R-squared coefficients are 0.387994 and 0.164090 with a meaning of 38.7% or 16.4% of JII variables, which the variables R.S. can explain, M2, CPI, exchange rate, DJIM, and DJIA in 2014-2018. 61.3% and 83.6% of JII's influence can be explained by other variables outside the model. This is due to a relatively short study period of 5 years which is 2014 until the year 2018.

Then many macro variables are included in the Coincident Economic Indicator (CEI) and Leading Economic Indicator (LEI). There are also many foreign stock indices. The following VECM results in the form of equation model formed from the coefficient value of each variable in the long term and short-term variable Coincident Economic Indicator (CEI) and Leading Economic Indicator (LEI) against JII.

Long-term

$$D_{JII} = 2{,}287136_{RS} - 32{,}66952_{M2} + 62{,}08395_{CPI} - 5{,}047758_{KURS} + 1{,}653239_{DJIM} + 1{,}653239_{DJIA}$$

+Means:

< 2.287136 RS

Every increase in retail sales by 1 point then in the long-term price of JII will increase by 2.287136 points.

< -32.66952 M2

Each increase in the amount of money supply (M2) amounting to 1 billion rupiah in the long-term price of JII will have decreased by 32.66952 points.

< 62.08395 CPI

Each Customer Price Index (CPI) increase by 1 percent in the long-term price of JII will have an increase of 62.08395 points.

< -5.047758 exchange rate

Every 1 rupiah increase is in the long-term price of JII will experience a decrease of 5.047758 points.

< 1.653239 DJIM

Every DJIM increase by 1 point, then in the long-term price of JII will increase by 1.653239 points.

< 1.708585 DJIA

Every DJIA increase by 1 point then in the long-term price of JII will experience an increase of 1.708585 for points.

The model of this research equation in the short term is:

o Short Term

$$p\,D_{JII} = -0{,}046549 + 0{,}006660_{\,JII(-1)} + 0{,}395993_{\,JII(-2)} + 0{,}048952_{RS(-1)} - 0{,}147685_{\,RS(-2)} + 0{,}231231_{M2(-1)} + 0{,}366019_{\,M2(-2)} + 2{,}314347_{CPI(-1)} + 2{,}182969_{\,CPI(-2)} - 0{,}156125_{KURS(-1)} - 0{,}370900_{KURS(-2)} + 0{,}598523_{DJIM(-1)} - 0{,}010497_{\,DJIM(-2)} - 0{,}148658_{DJIA(-1)} - 0{,}291058_{\,DJIA(-2)}$$

Means:

< 0.006660 JII (-1)

Each increase in 1 JII price point in the previous month then JII Price this month will drop by 0,006660-0,046549 = 0.03983 points.

< 0.048952 RS (-1)

Each increase in 1 retail sales point in the previous month, this month's JII price will increase by 0.048952-0.046549 = 0.002403 points.

< 0.231231 M2 (-1)

Each increase of 1 billion rupiah in the amount of money supply (M2) in the previous month, this month's JII price will increase by 0.231231-0.046549 = 0.184682 points.

< 2.314347 CPI (-1)

Each increase of 1 percent CPI in the previous month then the price of JII this month will rise by 2.314347-0.046549 = 2.267798 points.

< -0.156125 Exchange Rate (-1)

Each increase of 1 rupiah exchange rate in the previous month, the price of JII this month will drop by-0,156125-0,046549 = 0.202674 points.

< 0.598523 DJIM (-1)

Every 1 point increase in DJIM price in the previous month, then JII Price this month will rise by 0,598523-0,046549 = 0,551974 points.

< -0.148658 DJIA (-1)

Every 1 point increase in DJIA price in the previous month, the price of JII this month will drop by-0,148658-0,046549 = 0.195207 points.

Impulse-Response Function (IRF) results

The Impulse-Response Function analysis will explain the impact of a single variable shock to another variable, which is a short period and can explain some of the horizon fore as term information Long.

JII shock of one standard deviation in 1 reached a response of about 0.033 JII Price. It began to respond to the shock with a positive trend (+) to enter the 3rd period of 0.041, then move down in period 4 with points to be 0.039 and climbed back in the 5th period of 0.040. Entering the period of 6 suffered a decline until the 8th period, the response began to move steadily in periods 8 to 9. It moved down again at the end of the period with a final value of 0.034. From the explanation above, it can be concluded that it took about 8 months for JII variables to recover from the previous period's JII shock.

The IRF response analyzed next was the variable response of retail sales to JII. JII shock of one standard deviation in period 1 reached a response of about 0.000 to the price of JII and began to respond to the shock with a positive trend (+) to enter the 2nd period of 0.005. Towards the period of

3, the retail sales shock decreased to 7 and touched the Negative zone, then the response began to move steadily until the 10th period, namely-0.009. From the explanation above, it can be concluded that it took about seven months for JII variables to recover from the variable shock of Retail Sales.

The next response analyzed was the variable response of the money supply (M2) to the variable JII. JII shock of one standard deviation in period 1 achieves 0.000 response to JII Price and starts responding to shock with the positive trend (+) to enter the seventh period of 0.033. And decreased to period 8, and the response was stable moves until the end of the period of 0.032. From the explanation above, it takes approximately eight months to have the variable JII recovered from the variable shock amount of money supply (M2).

The next response analyzed was the variable response CPI against the JII variable. JII shock of one standard deviation in period 1 achieves 0.000 response to JII Price and start responding to shock with the negative trend (-) until entering the seventh period with point value-0.021 and then steady move response to end Period. From the explanation above, it can be concluded that it took about seven months for JII variables to recover from the Customer Price Index (CPI) shock.

The next response analyzed is the exchange rate variable response to the JII variable. JII shock of one standard deviation in period 1 reached 0.000% response to JII price. It began to respond to shock with the negative trend (-) until period two of-0.004, then increased back to period seven and response Stable moves until the end of the period with a point value of 0.006. From the explanation above, it can be concluded that it took about seven months for JII variables to recover from the rate shock.

The IRF response was analyzed next to the Dow Jones Islamic Market (DJIM) variable response to JII. JII shock of one standard deviation in period 1 reached a response of about 0.000 to the price of JII and began to respond to the shock with a positive trend (+) to enter the 2nd period of 0.008. Towards the 3rd period, DJIM shocked decreased to 7 and touched the negative zones, and the response began to move steadily until the 10th period of-0.012. From the explanation above, it can be concluded that it took approximately seven months for the JII variable to recover from the variable shock Dow Jones Islamic Market (DJIM).

The subsequent response analyzed was the variable response of the Dow Jones Industrial Average (DJIA) to the JII variable. JII shock of one standard deviation in period 1 achieves 0.000 response to JII Price and start responding to shock with a negative trend (-) to enter the third period with point value-0.006 then increase up to period 8. The response was stable until the end of the period with the value-0.001. From the explanation above, it can be concluded that it took about eight months for the JII variable to recover from the Dow Jones Industrial Average (DJIA).

Result Forecast Error Variance Decomposition (FEVD)

After the IRF test, then the next rarity is to perform a Variance decomposition test which aims to measure the contributing influence of each of the variables independent of its dependencies variable. Variance Decomposition is useful to measure the approximate error variances of a variable that is how big the ability of a variable is in explaining other variables or to other variables (Nugroho, Sigit, & Jose, 2015). In this research, there are 7 FEVD, namely JII, retail sales, amount of money supply (M2), Customer Price Index (CPI), exchange rate, Dow Jones Islamic Market (DJIM), and Dow Jones Industrial Average (DJIA). The timeframe used in this FEVD explained is ten periods. Based on the results of the FEVD test showed that in the first month, the variability and fluctuations in the value of the JII variable could be described as 100% by the variable itself. The influence given by other variables began to be seen in the 2nd month, where the exchange rate variable gives the biggest influence of 2.12%, followed by DJIM with a value of 1.54%, money supply (M2) 0.795%, retail sales 0.38%, CPI 0.05% and The last variable DJIA which has only an effect of 0.03%.

The JII variable until the end of the period is the most influential variable on JII's changes itself with the magnitude of contribution at the end of 90.63%, then followed by the Dow Jones Islamic Market (DJIM) variable annually Continue to increase that influences 2.94%, followed by the amount of money supply (M2) that has an increase also annually with a period final value of 2.76%, starting now variable rate that in the first period of this variable Has the biggest influence but each year Megalami reduction so that the final value amounted to 1.63%, then continued with the retail sales.

The variable that has the effect of the end value of amounted 0.92% and the variable that has the smallest influence is The Dow Jones Industrial Average (DJIA) has an impact value of 0.60%.

Discussion

This study showed the negative influence of the free variable, which is the exchange rate and amount of money supply (M2), the positive influence of the Customer Price Index (CPI) variable. Then there is no influence from the variable Retail Sales and Regional Index, namely Dow Jones Islamic Market (DJIM), Dow Jones Industrial Average (DJIA). The explanation of the results of this thesis research is as follows.

Influence of Retail Sales of Jakarta Islamic Index (JII)

Based on the results of previous research and previously described theory is hypothesized that Retail Sales have a positive impact on the Jakarta Islamic Index (JII). The results of the VECM analysis statistics test showed that in the Short-term and long term, there is no influence of the variable Retail Sales to the Jakarta Islamic Index (JII).

Thus, this research rejected the hypothesis of a positive influence between Retail Sales of the Jakarta Islamic Index (JII). Retail Sales show how much people spend their money. Retail Sales Data provides an overview of the consumer purchasing power trends that greatly influence a country's economy. But the results of this research show the level of Retail Sales can not be the explanatory Jakarta Islamic Index (JII) due to lack of information about Retail Sales obtained by investors. So that investors do not use variables Retail Sales to see the economic conditions.

The results of this research following the results of the research conducted by Mochamad Husin Rahman et al. (2014), stating that there is no influence between the Retail Sales variables of the stock price development.

Effect of total money supply (M2) on Jakarta Islamic Index (JII)

Based on the results of previous research and previously described theory is hypothesized that the amount of money supply (M2) has a negative influence on the Jakarta Islamic Index (JII). The results of the analysis statistical test VECM showed That in the short term, there is no influence. This is because the money turnover in the community is more likely to be used for transactions than investments, and the amount of money supply (M2) that grows reasonable will not cause inflation.

Then for the long term, there is a negative influence between the money supply (M2) on the Jakarta Islamic Index (JII) on the Indonesia Stock Exchange from January 2014 to December 2018. Thus, this study's results hypothesized the negative influence between Retail Sales of the Jakarta Islamic Index (JII). This negative influence is because when the money supply (M2) grows too high will affect the high inflation rate, as the quantity theory states that the amount of money supply is a factor in the price level change (Suseno & Siti, 2009). The conclusion of this study also aligned with the results of the research of Heriyanto and Ming Chen (2014) and Apriyani et al. (2015).

Influence of Customer Price Index (CPI) on Jakarta Islamic Index (JII)

Based on previous research and previously described theory, the Customer Price Index (CPI) has a negative influence on the Jakarta Islamic Index (JII). The results of the analysis statistics of VECM: In the short term and long term, there is a positive influence of the Customer Price Index (CPI) variable on the Jakarta Islamic Index (JII) on the Indonesia Stock Exchange during the period from January 2014 to December 2018. Thus, this research rejected the hypothesis of a negative influence between the Customer Price Index (CPI) on the Jakarta Islamic Index (JII).

The hypothesis is rejected because it is essentially an increase in the price in addition to raising the costs of the production will also increase the profit of the company, which a company can obtain an increase in revenue than the cost of production that the company should bear due to rising prices of the production costs then the companyCompany will get more profit due to the increase in the price (Rahman & Arfianto, 2014). Then the result of the same research was done by Fisher

The hypothesis stating that stocks will follow the revenue due to general price increases (Fisher, 1930). And research conducted by Jumria (2017) that inflation has a positive effect on the price movements of the banking sector in the Indonesian stock exchange.

Effect of exchange rate on Jakarta Islamic Index (JII)

Based on the results of previous research and previously described theories that have been hypothesized that the exchange rate has a negative influence on the Jakarta Islamic Index (JII), the results of the VECM analysis statistics test showed that in the term Short is no influence. This is because investors consider it more profitable if it still withholds its investment in the capital market. To strengthen the rupiah against the dollar in the short term will not affect the investors to transfer the funds to foreign currency because it is only temporary (Nugroho R. A., 2003). Then the temporary change in the exchange rate will not cause the price increase of imported goods continuously so that the company'sCompany's profitability will be stable. Then for the long term, there is a significant and negative influence between the exchange rate to the Jakarta Islamic Index (JII) on the Indonesian stock exchange during the period from January 2014 to December 2018. Thus the results of this study received a hypothesis of the negative influence between the exchange rate on the Jakarta Islamic Index (JII). In the long term, if the exchange rate of rupiah to the dollar is strengthened, then investors will likely divert the funds into forex with the hope in the future, will benefit so that the financial index will be Decreased. Conversely, if the exchange rate of rupiah weakening dollar, the investor will do the action to realize the profit by doing the Dollarnya to the rupiah currency and then investing into the capital market so that the financial stock index will experience Increase (Nugroho R. A., 2003).

The influence of Dow Jones Islamic Market (DJIM)
on the Jakarta Islamic Index (JII)

Based on the results of previous research and theories that have been explained previously hypothesized that the Dow Jones Islamic Market (DJIM) has a positive influence on the Jakarta Islamic Index (JII). The analysis statistical test VECM shows that there is no influence in the short term and long term. Thus, this research rejected the hypothesis of a positive influence between the Dow Jones Islamic Market (DJIM) on the Jakarta Islamic Index (JII).

Dow Jones Islamic Market (DJIM) is the world's first Islamic stock index, one part of the Dow Jones Global Index, which covers stocks from 34 countries. This study also rejected the contagion effect theory stating that larger stock exchanges would affect smaller stock exchanges. As there would essentially be other factors affecting such as the second economic condition The country, as we know that Indonesia is a Muslim-majority country, rich in natural resources and is one of the countries of the commodity exporter that is needed almost by all countries despite the crisis, which can be the cause of the growth of investor confidence to remain invested in Indonesian stocks. **Influence of Dow Jones Industrial Average (DJIA) on the Jakarta Islamic Index (JII)**

Based on the results of previous research and previously described theory is hypothesized that the Dow Jones Industrial Average (DJIA) has a positive influence on the Jakarta Islamic Index (JII), the results of the analysis statistical test VECM show that in the short term and long term there is no influence between the variable Dow Jones Industrial Averaget (DJIA) against the Jakarta Islamic Index (JII) on the Indonesia Stock Exchange during the period of January 2014 to December 2018. This is due to the index of the Dow Jones Industrial Averaget (DJIA) outside Indonesia and has no direct connection to the Indonesian economy.

The results of this study have shown that investors in Indonesia are not very concerned with the movement of the Dow Jones Industrial Average Index (DJIA) as the basis for the investment decision. The Dow Jones Industrial Average (DJIA) index is one of the United States stock market indices that contains 30 companies that are counted in the base point unit. The United States economy, slowing down due to a trade war, could be one of the contributing factors of investors not paying attention to the movements of U.S. stocks.

Then even though the United States is a developed country and has some cooperation with Indonesia, mainly in exports but when viewed geographically, the state of Indonesia is not adjacent to the United States, while the distance factor is also No less important.

CLOSING

In the short term and long term, Retail Sales (Coincident Economic Indicator) do not affect the development of the Jakarta Islamic Index (JII) price. In the short term, the Coincident Economic Indicator has no influence on the development of the Jakarta Islamic Index (JII) price.

In the short term and long term, the Customer Price Index (Leading Economic Indicator) has a positive influence on the development price of the Jakarta Islamic Index (JII). This indicates that when the Customer Price Index (CPI) has increased, it will increase the Jakarta Islamic Index (JII) increase.

In the short term (The leading Economic Indicator) does not affect the development of the price of the Jakarta Islamic Index (JII) because the rupiah to the dollar in the short term will not affect investors to transfer funds to the eyes of Foreign money because of its only temporary nature. As for the long term, variable exchange rates negatively affect. The short-term and long-term Dow Jones Islamic Market (DJIM) has no effect on developing the Jakarta Islamic Index (JII) price. In the short and long term Dow Jones Industrial Average (DJIA) has no effect on the development of the Jakarta Islamic Index (JII) price.

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