

ABSTRACT

Melissa, Effect of Exchange Rate and Interest Rate on Stock Against LQ45 in the Indonesian Stock Exchange (under the guidance of M.Y Desi Haryanto, S.E., M.Si.)

Fundamental analysis is a method of analysis based on economic fundamentals of a company. Economic fundamentals of the company can be judged from the value of stocks, where stock values are influenced by internal factors (controlled by companies) and external factors (cannot be controlled by the company). Exchange rate and interest rate is a variable independent of external factors in this study.

The method used in this study is to use Error Correction Model (ECM). This method is used in order to determine the effect of exchange rate and interest rates on stock prices on LQ45. Data obtained from www.bi.co.id and www.yahooofinance.com. Sampling using purposive sampling. Sample of this study is the stock price index in the period 1 February 2006 to January 31, 2011.

The result showed that the exchange rate variable has a significant negative impact both short and long term. While a variable interest rate is also a significant negative impact short and long term.

Key words: exchange (the exchange rate against U.S.\$), Interest Rate