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THE IMPACT OF GLOBAL ECONOMIC POLICY UNCERTAINTY (GEPU) ON INDONESIA STOCK RETURNS

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ABSTRACT

This study examines the impact of Global Economic Policy Uncertainty (GEPU) on Indonesia's stock market performance (IHSG), including the roles of oil prices and the BI Rate. Using monthly data from 2006–2025, the VAR/VECM approach is applied to analyze short- and long-run dynamics. The results indicate a cointegrated relationship, confirming long-term equilibrium among variables. Granger causality shows that oil prices and the BI Rate are key drivers, while GEPU mainly affects the market contemporaneously. IRF results suggest that shocks are temporary and converge over time. FEVD findings reveal that IHSG fluctuations are initially driven by internal shocks but increasingly influenced by oil prices and the BI Rate in the long run. Overall, Indonesia's stock market is sensitive to global uncertainty and macroeconomic conditions, highlighting the importance of maintaining economic stability.

Keywords: Global Economic Policy Uncertainty, IHSG, VAR/VECM, stock market

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