4th Asia Pacific Conference on Contemporary Research (APCCR- 2018), Bali, Indonesia
ISBN :978-0-6481172-9-2
Asia Pacific Institute of Advanced Research (APIAR)
www.apiar.org.au

IMPACT OF GAS AND COAL PRICE: EMPIRICAL ANALYSIS ON INDONESIAN STOCK EXCHANGE

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Abstract

With Venezuela facing crisis after declining oil price, commodity exporting countries need to re-evaluate their economic strength with regards to the changes of commodity prices. Researches on relationships between commodity price and stock markets have been widely recorded in academic literature. However, these studies concentrate on the effect of oil price on stock exchange, which has been studied in various countries. Our study is aimed to provide the gap in literature where the impact of Non-Oil Energy Commodities (e.g. gas and coal) are not yet explored. In addition to academic contribution, the empirical evidence on the significance of these macroeconomic data provides confidence on the economic prediction that is beneficial for both practitioners and policy maker. This is important for main gas and(or) coal exporting and(or) importing countries where their economics can be affected by the price shock. Indonesia provides interesting case studies since it is a main player in both Gas and Coal market in South East Asia. We collect dataset of daily Gas price, Coal price, and index of Indonesia Stock exchange in the last ten years. Using Vector Auto Regression (VAR), we may analyse multivariate Granger Causality effect, Impulse Reaction Function (IRF), and Variance Decomposition of these variables. From the econometric estimations, we may expect positive and significant relationship between these commodity prices and stock exchange since both countries are main gas and coal exporters.

Keywords: Stock exchange, Vector Auto Regression, Gas and Coal Price.