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Effect of Inflation, Interest Rates, and NIKKEI 225 Index on Composite Stock Price Index in the Capital Markets of 9 ASEAN Countries 2019-2023

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Abstract

This research investigates the influence of inflation, interest rates, and the Nikkei 225 index on the Composite Stock Price Index (IHSG) within the capital markets of nine ASEAN nations over the period from 2019 to 2023. A total of 45 data points were selected using purposive sampling techniques to ensure relevance and alignment with the study objectives. The data analysis was conducted utilizing multiple linear regression methods with a panel data approach, processed through Eviews 12 software. The analytical procedures encompassed a comprehensive range of tests, including descriptive statistical analysis, panel regression estimation, hypothesis testing, and classical assumption diagnostics such as normality, multicollinearity, and heteroscedasticity assessments. The findings from the t-test indicate that both inflation and interest rate variables do not exert a statistically significant influence on the IHSG, whereas the Nikkei 225 index demonstrates a significant and positive effect. Moreover, the results of the F-test reveal that, when evaluated collectively, the three independent variables significantly affect the IHSG across the observed ASEAN countries.

Keywords: IHSG, inflation, interest rates, Nikkei 225 index

Introduction

Cooperation between Southeast Asian countries (ASEAN) began in 1967. Initially, the focus of this cooperation was political. However, over time, the scope of ASEAN cooperation expanded to include the economic sector (Ginanjar and Maksum, 2022). When a country's economic condition is stable and supported by positive government policies for economic growth, it can impact price increases in that country's capital market. Conversely, when a country's economic condition is declining, it can cause capital market prices to decline (Ersabathari and Muharam, 2017). According to Wardhono et al. (2020), capital markets play a crucial role in supporting a country's development and economic growth, particularly through

investment financing, increased consumption, risk sharing, and expanding economic opportunities.

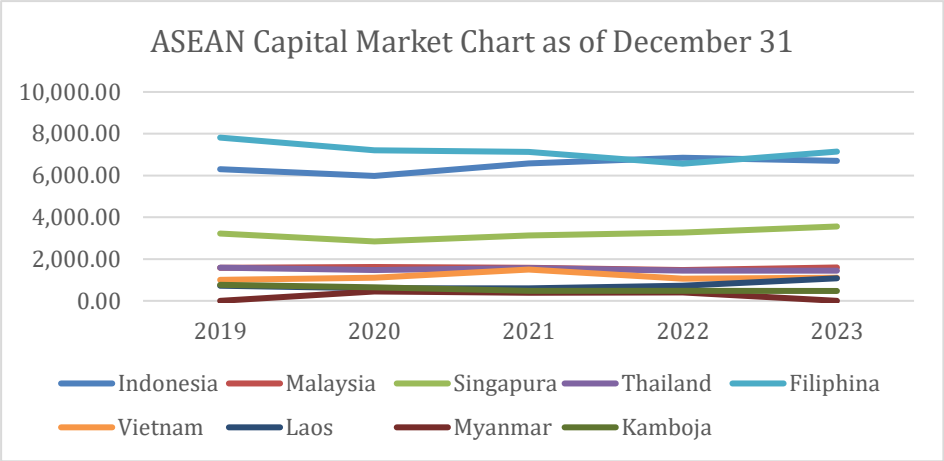

Figure 1. Capital market data for ASEAN countries from 2019 to 2023
Source: Trading View, processed data (2025)

Figure 1 depicts the dynamic fluctuations in IHSG across nine ASEAN countries throughout the 2019–2023 period, highlighting the varying trends and volatility experienced by regional stock markets over these five years. Throughout this timeframe, the index did not show stable growth but instead experienced frequent ups and downs. In 2019, the Philippines recorded the highest IHSG transaction value, reaching 7,815.26. These fluctuations in the IHSG play a crucial role in shaping investor behavior, as they directly impact the ability of investors to achieve their targeted returns on invested capital. Volatile stock index movements tend to decrease investor confidence, making them more hesitant to commit funds to the capital market (Maharani et al., 2024). A significant downturn in the stock price index usually triggers a wave of sell-offs among investors, pushing share prices even lower and potentially harming corporate valuations (Gunawan, 2024). The root causes of these Composite Stock Price Index fluctuations are often traced back to various macroeconomic factors, such as changes in inflation rates, interest rates, currency exchange rates especially the rupiah and other external economic indicators. These macroeconomic dynamics strongly influence the perceptions and investment decisions of both current and prospective investors in the financial market.

Inflation is defined as a continuous and broad-based increase in the overall price levels of goods and services within an economy over a sustained period (Azzahra, 2023), reflecting a decline in the purchasing power of money as the cost of living steadily rises. According to Martina (2021), inflation negatively impacts stock market indices, suggesting that higher inflation can erode market performance. On the other hand, Wulandari and colleagues (2020) presented contrasting evidence, indicating that inflation shows a positive but statistically insignificant correlation with the IHSG. The limited influence of inflation observed in their research is explained by the behavior of investors who tend to overlook short-term fluctuations in inflation rates. Instead, they prefer to take a prudent and watchful approach, carefully monitoring economic conditions before making any investment commitments. This cautious

attitude means that inflation signals may not strongly sway market movements in the short run, as investors weigh other factors more heavily in their decision-making process.

The interest rate can be understood as the cost associated with borrowing funds for a defined duration or the return expected from lending money with repayment scheduled in the future (Gunarti, 2018). Research conducted by Astuti (2021) found that interest rates exert a significant and positive influence on the IHSG across ASEAN countries, suggesting that an increase in interest rates is often associated with an improvement in stock market performance within the region. However, these findings differ from the results of Maharani et al. (2024), who observed no significant relationship between interest rate movements and stock price indices across five ASEAN nations during the 2010–2022 period. Interestingly, even during periods of rising interest rates, many investors opt to retain their capital in equity markets rather than reallocating it to traditional banking instruments, suggesting confidence in long-term returns or other motivating factors such as dividends and capital gains. Consequently, it becomes essential for companies to continuously strengthen and enhance their operational performance to remain appealing to investors amid shifting economic conditions.

Besides domestic macroeconomic variables, movements in capital markets are also shaped by external influences originating from foreign sources. A prominent example of such an external factor is international stock indices like the Nikkei 225. According to Darwati and Santoso (2014), there exists a significant linkage between domestic and global capital markets. Typically, the fluctuations observed in a country's IHSG are affected by the performance of stock indices in other nations, reflecting the integrated nature of global financial markets. Market developments in one country can have ripple effects on others, particularly among countries within the same geographical region (Rohmawati and Zuhroh, 2019). In this context, Herlianto and Hafizh (2020) found that the Nikkei 225, Japan's primary market index, exerts a notable negative impact on the IHSG. Conversely, Rohmawati and Zuhroh (2019) reported a significant positive correlation between the Nikkei 225 and the IHSG across ASEAN countries. The upward trajectory of the Nikkei 225 often acts as a catalyst for growth in ASEAN's stock indices by enhancing the flow of capital across borders, thereby contributing to overall increases in regional market valuations.

The role of investors in increasing trading activity in ASEAN capital markets is a topic worthy of research, given that several countries in the region still have developing capital markets. This indicates that the financial markets in ASEAN countries have not attracted the same level of attention and focus as those in more developed regions, such as the United States and the European Union (Kurniasih, 2020). In addition, the presence of inconsistent findings in prior studies regarding the determinants affecting the Composite Stock Price Index within ASEAN capital markets further underscores the need for more in-depth and comprehensive research on this topic.

Literature Review

Signaling Theory

Signaling theory, introduced by Spence (1978), explains that parties with more information, such as workers in the labor market or companies in the financial market, can provide "signals" to demonstrate their quality to other parties with less information, such as employers or investors. Suganda (2018) explains that signaling theory serves to illustrate how managerial communication can affect investor decision-making by providing insights into the company's condition. Investors rely on these signals to guide their investment choices, as the information disclosed by a company reflects its potential future performance.

ASEAN Capital Market

ASEAN capital market cooperation began in 2003. This capital market cooperation aims to increase intra-regional trade and deepen regional economic integration. Economic integration will be strengthened through capital market integration (Nurhayati, 2012). Based on its function, this capital market can be beneficial to a country's economy. Capital market volatility in a country can also be used as an indicator of its economic condition (Sundoro and Theovardo, 2019). According to Climent and Meneu (2003), if a capital market is located within the same region, then the condition of the capital market will tend to have similar movements and a high contagion effect.

Composite Stock Price Index (IHSG)

Anoraga and Pakarti (2003) describe the IHSG as a benchmark that reflects the overall direction of stock price movements for companies listed on the stock exchange, serving as an important indicator of capital market trends and performance. Similarly, Tambunan Novyanti (2021) explains that the IHSG is formed by aggregating various stock prices into a single numerical representation, allowing analysts and investors to observe patterns and shifts in market behavior over time. The formulation of this index is intended to provide a standardized metric that simplifies the interpretation of fluctuations in stock values, enabling stakeholders to assess the health and momentum of the broader equity market efficiently. As such, the IHSG functions not only as a market barometer but also as a critical tool for guiding investment strategies and evaluating economic sentiment. The IHSG of each ASEAN country used in this study are Indonesia (IDX Composite), Malaysia (KLCI), Singapore (STI), Thailand (SET Index), the Philippines (PSEi), Vietnam (VN Index), Laos (Laos Securities Exchange), Myanmar (Yangon Stock Exchange), and Cambodia (Cambodia Securities Exchange). In Brunei, the researchers could not find source data for the IHSG, so Brunei was not used.

Inflation

Inflation refers to a monetary condition marked by a decrease in the purchasing power of a currency unit, which leads to a general rise in the prices of goods and services and a corresponding reduction in the real value of money as a medium of exchange. Conversely, a decline in the value of goods and services is defined as deflation (Sanida, 2021). High inflation can reduce people's purchasing power, potentially increasing poverty (Nurdin, 2022). Furthermore, high inflation tends to discourage foreign investment by reducing the value of

investments in local currencies. Therefore, controlling inflation is crucial to ensuring stable and sustainable economic growth in ASEAN countries (Soekapdjo and Maria Esther, 2019).

Interest rate

According to Nurkhikmatul Aini et al. (2020), interest rates represent the return, value, or profit granted to investors for utilizing their investment capital, calculated based on the economic value over a defined period. An excessive increase in interest rates can lead to a significant reduction in the present value of a company's projected future cash flows, thereby diminishing the attractiveness of potential investment opportunities (Gunawan, 2024). Additionally, elevated interest rates lead to higher capital costs for companies and raise the level of return investors expect from their investments (Wismantara and Darmayanti, 2017).

Nikkei 225 Index

The Nikkei 225 Index represents a key market index indicator for the Tokyo Stock Exchange in Japan and functions as a critical benchmark reflecting the overall health of the Japanese economy. Comprising 225 of the most prominent and financially robust companies, this index tracks the price movements of leading blue-chip stocks listed on the exchange. Research by Darwati and Santoso (2014) highlights the interconnected nature of domestic and international capital markets, emphasizing how stock market trends in one country often resonate beyond its borders. Typically, the fluctuations in a nation's Composite Stock Price Index are influenced by similar indices abroad, a phenomenon driven by the global integration of financial markets. This interconnectedness means that economic or political events occurring in one country can have significant repercussions on other nations, particularly those situated within the same geographic region, as noted by Rohmawati and Zuhroh (2019).

Research Method

This study employs a quantitative research approach by utilizing secondary data sourced from nine ASEAN countries, namely Indonesia, Malaysia, Singapore, Thailand, the Philippines, Vietnam, Laos, Myanmar, and Cambodia. The analysis spans the period from 2019 to 2023, aiming to capture a comprehensive overview of stock market developments in the region. The selection of data was carried out through purposive sampling, concentrating specifically on the closing values of each country's Composite Stock Price Index within the specified five-year timeframe. This sampling method was chosen to ensure the relevance and accuracy of the data in reflecting the dynamics of stock market performance in each respective country. Secondary data were collected through documentation methods, drawing from various reliable sources: the TradingView platform provided data for the Nikkei 225 and Composite Stock Price Index variables; interest rate figures were obtained from TradingEconomics; inflation rates were sourced from the World Bank, and for specific countries, stock index data were retrieved from their respective exchanges Laos Securities Exchange, Yangon Stock Exchange in Myanmar, and Cambodia Securities Exchange. The analytical framework of this research integrates a comprehensive approach, encompassing descriptive statistical analysis,

panel data regression techniques, systematic model selection processes for panel data, and rigorous hypothesis testing. All stages of the analysis are conducted using the advanced capabilities of E-Views 12 software, ensuring the generation of reliable, precise, and statistically sound results throughout the study.

Result

Descriptive Statistical Analysis

This research examines four key variables: the ASEAN Composite Stock Price Index as the dependent variable (Y), and three independent variables Inflation (X1), Interest Rate (X2), and the Nikkei 225 Index (X3). To gain a clearer understanding of the characteristics of the data, descriptive statistical methods were applied, as suggested by Sugiyono (2017). This type of analysis helps summarize the essential features of the dataset by presenting measures such as the arithmetic mean (average), the central tendency (median), the highest recorded value (maximum), the lowest observed value (minimum), and the degree of variation within the data (standard deviation). These statistical indicators are calculated for each variable to assess their distribution, variability, and overall behavior during the study period. This research focuses on examining the explanatory variables, which include inflation rates, interest rates, and the Nikkei 225 index, in relation to the response variable, namely the IHSG across ASEAN nations. The objective is to offer an in depth overview of the overall dataset prior to proceeding with more advanced inferential statistical analyses. To ensure a thorough understanding of the data characteristics and distribution patterns, a descriptive analysis has been carried out in detail. The comprehensive findings of this preliminary analysis are systematically outlined in the following section.

Table 1. Descriptive Statistical Analysis

	X1(Inflasi)	X2 (Suku Bunga)	X3 (Nikkei 225)	Y (IHSG ASEAN)
Mean	5,179808	3,548322	7,383555	7,374269
Median	3,156508	3,000000	7,322269	7,296610
Maximum	31,23013	10,00000	8,897598	8,963834
Minimum	-1,138702	0,306500	5,943140	5,906043
Std. Dev	7,247143	2,430891	0,970757	0,983111
Observations	45	45	45	45

Source: E-viewrs 12, Data processed (2025)

Chow Test

This tool serves an essential role in determining the most suitable model for panel data estimation, specifically by comparing the Fixed Effect Model (FEM) with the Common Effect Model (CEM). It facilitates the selection of the model that provides the best fit by assessing the structural differences and unobserved heterogeneity across the observed entities, ensuring the chosen approach delivers more accurate and reliable statistical results.

Figure 1. Chow Test Results

Redundant Fixed Effects Tests *Equation: Untitled* *Test cross-section fixed effects*			
Effects Test	*Statistic*	*d.f.*	*Prob.*
Cross-section F	0,281288	(8,33)	0,9676
Cross-section Chi-Square	2,968493	8	0,9363

Source: Eviews 12 output, processed data (2025)

The findings indicate that the probability value obtained from the cross-section F-test is 0.9676, which is notably higher than the commonly accepted significance level of 0.05. Similarly, the probability value derived from the cross-section Chi-square test stands at 0.9363, likewise surpassing the 0.05 threshold, further reinforcing the statistical conclusion. These findings indicate that the alternative hypothesis (Ha) is not supported and must be rejected. Consequently, the Common Effect Model (CEM) is deemed the most appropriate model for this analysis, and the testing process is concluded at this stage without proceeding to further model selection steps.

Regression Model Results

The result of the selected model is the CEM, as follows:

Figure 2. Results of the Regression Equation

Variable	*Coefficient*	*Std. Error*	*t-Statistic*	*Prob.*
C	-0,084438	0,132221	-0,638614	0,5266
X1	0,000517	0,002768	0,186709	0,8528
X2	0,001313	0,007828	0,167719	0,8676
X3	1,009185	0,017178	58,74841	0,0000

Source: Eviews 12 output, processed data (2025)

Based on what is shown in Figure 2, which shows a constant value of -0.084438, the inflation variable value is 0.000517, the interest rate variable value is 0.001313, and the Nikkei 225 index variable is 1.009185, the following regression equation is formulated:

Y(IHSG) = -0,084438 + 0,000517 (Inflation) + 0,001313 (Interest rate) + 1,009185 (Nikkei 225 Index)

Based on the findings derived from the estimated regression equation, the inflation variable exhibits a positive coefficient value of 0.000517. This implies that for every one-unit increase in the inflation rate, there is an anticipated increment of 0.000517 points in the IHSG, whereas a decline in inflation would proportionally reduce the index value. Similarly, the interest rate variable demonstrates a positive coefficient of 0.001313, suggesting that a one-unit rise in interest rates is associated with an estimated increase of 0.001313 points in the Composite Stock Price Index, while a decrease in interest rates would trigger a corresponding decrease in the index. Most prominently, the Nikkei 225 index records a significantly higher positive coefficient of 1.009185, indicating that each additional point gained in the Nikkei 225 index translates into an approximate increase of 1.009185 points in the IHSG Index within

ASEAN markets. The considerable magnitude of this coefficient signifies a robust and stable positive correlation between the movements of the Nikkei 225 index and the overall performance of stock markets within the ASEAN region, highlighting the influential role of international market trends on regional financial dynamics.

Partial Test (t-Test)

This research applied a significance threshold of 5% (0.05), with the degrees of freedom (df) determined by the formula df = (n - k - 1) = (45 - 3 - 1) = 41. Consequently, the critical value for the t-distribution was established at 1.68288. The outcomes of the conducted t-tests are detailed as follows:

Figure 3. Results of the Regression Equation

Variable	*Coefficient*	*Std. Error*	*t-Statistic*	*Prob.*
C	-0,084438	0,132221	-0,638614	0,5266
X1	0,000517	0,002768	0,186709	0,8528
X2	0,001313	0,007828	0,167719	0,8676
X3	1,009185	0,017178	58,74841	0,0000

Source: Eviews 12 output, processed data (2025)

Referring to Figure 3, the individual impact of each independent variable on the dependent variable can be summarized as follows:

a. The statistical results for the inflation variable reveal a t-statistic value of 0.186709, which falls below the critical threshold of 1.68288. Additionally, the associated probability (p-value) stands at 0.8528, which surpasses the conventional significance level of 0.05. Drawing from these results, the null hypothesis ($H0_1$) is upheld, while the alternative hypothesis (H_{a1}) is rejected. This conclusion indicates that throughout the study period from 2019 to 2023, inflation did not exhibit a statistically significant influence on the IHSG across the nine ASEAN countries. These findings imply that variations in inflation rates did not have a notable or measurable effect on stock market movements during the specified timeframe.
b. The interest rate variable records a t-statistic of 0.167719, which is notably lower than the established critical t-value of 1.68288. In addition, the corresponding p-value is 0.8676, surpassing the standard significance threshold of 0.05. In light of these statistical outcomes, the null hypothesis (H_{02}) is accepted, while the alternative hypothesis (Ha_2) is conclusively rejected. This indicates that during the period from 2019 to 2023, interest rates did not demonstrate a statistically significant effect on the IHSG across the nine ASEAN countries, implying that fluctuations in interest rates were not a determining factor in influencing stock market performance within this regional context.
c. The Nikkei 225 index variable produces a t-statistic value of 58.74841, which overwhelmingly surpasses the critical t-value benchmark of 1.68288. Moreover, the accompanying p-value is recorded at 0.0000, significantly below the commonly accepted significance level of 0.05. Drawing from this strong statistical evidence, the null hypothesis (H_{03}) is conclusively rejected, and the alternative hypothesis (Ha_3) is accepted. This outcome affirms that throughout the period from 2019 to 2023, the Nikkei 225 index has exhibited a significant and influential relationship with the

Composite Stock Price Index in the nine ASEAN countries. These findings underscore the critical role of the Nikkei 225 index in shaping regional stock market trends and reflect its substantial impact on market behavior within the ASEAN economic landscape.

Simultan (Uji F) Test

In this test, the degrees of freedom are calculated as df(N1) = (k-1) = 4-1 = 3 and df(N2)=(n-k) = 45-4 = 41, resulting in an F table of 2.833. The results of the F test are presented:

Table 2. F Test Results

		Hasil
F-statistic	1304,255	Signifikan
Prob(S-statistic)	0,000000	

Source: Eviews 12 output, processed data (2025)

Based on the statistical results outlined in Table 2, the analysis demonstrates that the calculated F-statistic attains a remarkably high value of 1304.255, substantially surpassing the critical F-table value of 2.833. In addition, the probability value associated with the F-statistic is recorded at an extremely low level of 0.000000, which is far below the conventional significance threshold of 0.05. These statistical indicators lead to the firm rejection of the null hypothesis ($H_0$4) and the acceptance of the alternative hypothesis (Ha4). This confirms that, when evaluated simultaneously, the independent variables comprising inflation, interest rates, and the Nikkei 225 index exert a positive and statistically significant effect on the dependent variable, namely the IHSG, throughout the observed research period.

Coefficient of Determination Test

The results of the coefficient of determination (R^2) test for this study:

Table 3. Results of the Determination Coefficient Test

R-squared	0,989630
Adjusted R-squared	0,988871

Source: Eviews 12 output, processed data (2025)

Based on the R^2 test results detailed in Table 3, the analysis reveals an R-Squared value of 0.989630. According to standard interpretation guidelines for the correlation coefficient, this exceptionally high value signifies a very strong degree of association between the independent variables comprising inflation, interest rates, and the Nikkei 225 index and the dependent variable, the IHSG. In addition, Table 3 also reports an Adjusted R-Squared value of 0.988871, which further refines the explanatory power of the model. This indicates that approximately 98.89% of the fluctuations or variations observed in the can be attributed to the combined influence of the three independent variables used in the study. Conversely, the remaining 1.11%

of the variability is driven by other factors not included within the framework of this research model.

Discussion

The Effect of Inflation on the IHSG

Figure 3 presents the results of the hypothesis testing for the inflation variable in this research. The analysis shows that the calculated t-statistic is 0.186709, which is significantly lower than the critical t-table value of 1.68288Furthermore, the results of the regression analysis reveal a significance probability of 0.8528, which clearly surpasses the conventional significance level of 0.05. Based on this statistical evidence, the alternative hypothesis (Ha1) is conclusively rejected, while the null hypothesis ($H_0$1) is accepted. This outcome demonstrates that inflation does not exert a statistically significant effect on the IHSG within the nine ASEAN countries. These findings imply that fluctuations in inflation rates do not directly drive stock market movements, or alternatively, that investors may not regard inflationary changes as a primary factor influencing their investment strategies and decision-making processes (Desfiandi et al., 2017). Nevertheless, this conclusion aligns with signaling theory, which posits that macroeconomic indicators such as inflation still serve as signals to investors regarding the broader economic outlook and the future performance potential of companies. However, these signals may be less clear or ignored if the market considers other information more dominant in determining stock prices. Inflation as an economic signal may be less effective in influencing the stock market in ASEAN due to other factors such as security, politics, and other things that influence investors' decisions to buy and sell shares (Maharani et al., 2024).

Drawing from the results of this research, it can be inferred that inflation does not exert a significant influence on the movement of the IHSG. Variations in inflation rates are not regarded as a dominant consideration by investors when making investment decisions. In general, investors tend to adopt a cautious or wait-and-see stance in response to inflationary fluctuations, resulting in minimal direct impact of inflation on CSPI performance. The findings of this study further emphasize that the inflation rate is not a crucial determinant in explaining the changes and dynamics of the IHSG. Consequently, even during periods of rising inflation, investor confidence in maintaining their stock portfolios remains relatively stable, as the influence of inflation on stock index movements has been statistically proven to be negligible. These conclusions are consistent with the research findings of Wulandari et al. (2020), yet stand in contrast to the results obtained by Rohmawati and Zuhroh (2019), who identified a significant relationship between inflation and the IHSG.

The Effect of Interest Rates on the IHSG

Figure 3 displays the results of the hypothesis testing conducted on the interest rate variable within this research. The statistical evaluation indicates that the obtained t-statistic value is 0.167719, which falls significantly below the critical t-table value of 1.68288. In addition, the regression test produces a significance probability of 0.8676, notably higher than

the commonly used significance level of 0.05. The statistical results obtained from the analysis result in the rejection of the alternative hypothesis (Ha2) and the acceptance of the null hypothesis ($H_0$2). This conclusion indicates that interest rates do not have a notable or statistically significant effect on the fluctuations of the IHSG across the nine ASEAN countries throughout the research period, suggesting that variations in interest rates did not play a decisive role in influencing market index performance during this timeframe. The absence of a meaningful relationship implies that fluctuations in interest rates do not directly influence Composite Stock Price Index movements. One contributing factor to this insignificant effect is the behavior of investors, who predominantly engage in short-term stock trading activities, such as speculative trading or quick profit-taking strategies, rather than long-term investments. These short-term trading tendencies, as noted by Kristanto and Ideis (2016), lead investors to focus on capital gains opportunities rather than macroeconomic indicators like interest rates, thereby diminishing the observable influence of interest rate changes on the broader stock market index. This interest rate indicates that capital market investors remain invested in stocks, unaffected by rising interest rates, which would impact the Composite Stock Price Index. Investors are encouraged to purchase shares in companies that perform well, as they can generate profits and offer promising business prospects (Putri, 2018).

This research aligns with signaling theory, which states that economic decisions, such as interest rate changes, convey information signals to market participants. In this study, the interest rate effect was statistically insignificant. This means that the signal provided by interest rate changes was not strong enough or consistently received by ASEAN stock markets. According to Citra Asmara et al. (2022), several factors contribute to the insignificant impact of interest rates on the IHSG, including global economic conditions, trade wars, and geopolitics. Furthermore, ASEAN stock markets are relatively heterogeneous, with varying levels of sensitivity to interest rate policies in each country.

The findings of this study indicate that interest rates do not exert a significant influence on the IHSG, which can be attributed to the prevailing investor behavior that favors short-term investment strategies. Investors are generally more inclined to allocate their capital to companies with strong future prospects, rather than being guided by fluctuations in interest rates. This conclusion is consistent with the results of studies conducted by Maharani et al. (2024) and Citra Asmara et al. (2022), both of which demonstrated that changes in interest rates have no discernible effect on IHSG movements. Essentially, whether interest rates increase or decrease, it does not translate into noticeable shifts in the stock index. Additionally, this phenomenon suggests that investors prioritize a variety of other considerations beyond interest rates, such as company performance, market trends, and external economic factors, when making investment decisions in the capital market.

The Influence of the Nikkei 225 Index on the IHSG

Figure 3 illustrates the hypothesis testing results for the Nikkei 225 index variable examined in this study. The statistical analysis reveals that the calculated t-statistic reaches 58.74841, which far exceeds the critical t-table value of 1.68288. In addition, the regression

analysis yields a significance probability of 0.0000, well below the commonly accepted significance level of 0.05. These findings lead to the acceptance of the alternative hypothesis (Ha3) and the rejection of the null hypothesis ($H_0$3), confirming that the Nikkei 225 index exerts a significant and positive effect on the IHSG among nine ASEAN member countries. This conclusion is further reinforced by the research of Rohmawati and Zuhroh (2019), who observed that a rise in the Nikkei 225 index can contribute to the expansion of the IHSG in the ASEAN region by enhancing cross-border investment flows and boosting stock market dynamics. The considerable impact of the Nikkei 225 index on the regional Market index is likely influenced by several factors, one of which is the inclusion of numerous internationally prominent multinational companies within the Nikkei 225 index, as highlighted by Virby (2013). Additionally, the widespread presence of Japanese companies and their products throughout Southeast Asia plays a crucial role in influencing regional stock markets. Prominent examples include PT Astra Honda Motor in Indonesia, Nakano Construction in Malaysia, Sumitomo in Vietnam, and a variety of other Japanese enterprises with extensive operations throughout the ASEAN region, all contributing to the interconnection between the Japanese and Southeast Asian stock markets.

The large number of Japanese companies spread across the ASEAN region and the market for their products, which is Southeast Asia, makes Japan a significant influence on rising stock prices in ASEAN. The rise in Japanese stocks, particularly the Nikkei 225, significantly boosted the ASEAN IHSG. Although there are many other factors, such as domestic economic conditions, government policies, and global market conditions, the study's findings indicate that the Nikkei 225 index is a crucial factor to consider. A rise in the Nikkei 225 index can be a positive signal about Japan's economic growth, which can influence investor sentiment in ASEAN markets (Aditya et al., 2018). This research aligns with signaling theory, which provides signals about Japanese stock market performance. According to Herlianto and Hafizh (2020), investors use signals to encourage them to buy ASEAN stocks. A rise in the Nikkei 225 index could signal Japanese investors are optimistic about their stocks. A decline in the Nikkei 225 index, on the other hand, could be interpreted as a negative signal, potentially leading investors to be more cautious and reduce stock purchases.

The findings of this research reveal that the Nikkei 225 index holds a statistically significant impact on the movements of the IHSG, reinforcing the notion that fluctuations within the Japanese stock market, as captured by the Nikkei 225 index, play an influential role in shaping the dynamics of the Indonesian stock market. This conclusion aligns with the study by Rohmawati and Zuhroh (2019), which similarly identified a significant and positive correlation between the Nikkei 225 index and the IHSG. Nevertheless, these results stand in contrast to the research conducted by Zilamsari et al. (2017), which reported no meaningful effect of the Nikkei 225 index on IHSG performance. The divergence in these research outcomes could be attributed to several factors, such as variations in the period of observation, differing global economic circumstances, or other external influences that may affect the level of interdependence between the Japanese and Indonesian capital markets during specific timeframes.

The Effect of Inflation, Interest Rates, and the Nikkei 225 Index on the IHSG

Referring to the findings presented in Table 2, this study confirms that, collectively, the variables of inflation, interest rates, and the Nikkei 225 index exert a significant and measurable impact on the IHSG within the ASEAN regional capital markets. This conclusion is strongly supported by the probability value of 0.000000, which is substantially lower than the standard significance threshold of 0.05. Moreover, the calculated F-statistic reaches 1304.255, far exceeding the critical F-table value of 2.83, leading to the acceptance of the alternative hypothesis (Ha4), signifying that these three independent variables, when considered together, play a pivotal role in influencing IHSG movements across the nine ASEAN nations during the 2019–2023 period. This outcome reflects a robust and substantial relationship between inflation, interest rates, the Nikkei 225 index, and regional stock market performance. Additionally, individual t-tests reveal that the Nikkei 225 index variable exhibits the highest t-statistic, indicating that it holds the most dominant influence among the examined variables, thus contributing the greatest impact on the IHSG in a simultaneous context. Complementing these results, the coefficient of determination, or adjusted R-squared value, stands at 0.988871, equivalent to 98.89%, demonstrating that the regression model used in this analysis explains the overwhelming majority of the variation in Composite Stock Price Index fluctuations. Only a minimal portion, 1.11%, remains unexplained by these variables, reaffirming the model's exceptionally strong explanatory power in capturing the behavior and dynamics of the Composite Stock Price Index within the ASEAN capital markets.

These three variables together form a strong signal that investors can capture when investing in the IHSG. Thus, these three variables can impact the IHSG. In line with signaling theory, this research provides signal information for investors. Investors use this information to make investment decisions. Corporate information provides insight into a company's future prospects. Investors will view a company favorably if they receive positive information about its prospects, resulting in increased trading on the stock market. A strong signal can boost investor confidence, which can then influence a company's stock price. When stock markets in the ASEAN region respond directly to both macroeconomic (internal) and external factors, this information will be immediately absorbed and reflected in stock price movements. The findings of this research are consistent with the study conducted by Rohmawati and Zuhroh (2019), who concluded that inflation, interest rates, and the Nikkei 225 index collectively exert a significant influence on the IHSG. This alignment further reinforces the notion that these macroeconomic indicators play an important role in shaping stock market dynamics.

Conclusion

Drawing from the data analysis and hypothesis testing conducted in the research titled "The Effect of Inflation, Interest Rates, and the Nikkei 225 Index on the Composite Stock Price Index in Nine ASEAN Countries for the Period 2019-2023," several key conclusions have been established. This study offers a thorough exploration of the interplay between domestic macroeconomic variables and international market movements in shaping the performance of regional stock markets. Through rigorous statistical procedures and comprehensive empirical

investigation, the research successfully identified both the nature and magnitude of the impact exerted by the independent variables inflation, interest rates, and the Nikkei 225 index on the dependent variable, the ASEAN Composite Stock Price Index (IHSG). The outcomes of this study provide a deeper and more nuanced understanding of how internal economic conditions, in conjunction with external global market forces, interact to influence stock market dynamics within the ASEAN region over the specified period. Additionally, these findings contribute valuable insights to the body of academic literature concerning the integration and interconnectivity of regional capital markets.

a. Inflation had no significant effect on the IHSG in nine ASEAN countries from 2019 to 2023. This is because investors pay little attention to fluctuations in inflation. Investors prefer to wait and see when making investment decisions.
b. Interest rates had no significant effect on the IHSG in nine ASEAN countries from 2019 to 2023. This is due to the tendency of investors to invest in the short term. Investors tend to choose companies with better prospects.
c. The Nikkei 225 Index significantly influenced the IHSG in nine ASEAN countries from 2019 to 2023. An increase in the Nikkei 225 could be a positive signal about Japan's economic growth, which could influence investor sentiment in the ASEAN market.
d. Inflation, interest rates, and the Nikkei 225 index simultaneously have a significant effect on the IHSG in 9 ASEAN countries for the period 2019-2023. These three variables collectively form a strong signal that investors can leverage when investing in the IHSG. These variables provide useful signal information for investors in making investment decisions.

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