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Research Article

Analysis of Macroeconomic Indicators and the Impact of Dow Jones on the Indonesia Composite Index

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Abstract: The Jakarta Composite Index (JCI), also known as the Indonesia Composite Index is a key indicator that reflects the performance of the Indonesian capital market and serves as a reference for assessing economic conditions and making investment decisions. This study aims to examine the influence of macroeconomic factors such as inflation, the rupiah exchange rate, and interest rates along with an external factor, the Dow Jones Index, on the JCI during the period 2020–2024. This research contributes by incorporating the DJIA as a proxy for global market effects on the JCI and by using the most recent and comprehensive dataset covering the pandemic and subsequent economic recovery. A quantitative approach was employed, using monthly time-series secondary data. The study applied saturated sampling, resulting in 60 observations. The data were obtained from official sources, namely the Indonesia Stock Exchange (IDX), Bank Indonesia (BI), the Central Statistics Agency (BPS), and Investing.com. Multiple linear regression was used as the analysis technique. The results show that inflation and the Dow Jones Index have a significant positive effect with the JCI, while the rupiah exchange rate has a significant negative effect. In contrast, interest rates do not show a significant effect on the JCI. These findings suggest that investors should consider inflation, the exchange rate, and global market movements (DJIA) when making investment decisions, while interest rates may play a less prominent role.

Keywords: Dow Jones Index; Exchange Rate; Inflation; Interest Rate; Jakarta Composite Index

1. Introduction

As one of the main elements in the country's economy, the capital market has a crucial function (Siringoringo et al., 2025). In Indonesia, capital market performance is reflected in the movement of stocks traded on the Indonesia Stock Exchange, as measured by the Jakarta Composite Index (JCI). Changes in the Jakarta Composite Index, the primary indicator of capital market performance in Indonesia, are influenced by various domestic and international economic factors, reflecting investors' optimism or pessimism regarding the economic situation and future business prospects (Hidayat & Budiarti, 2025).

exhibited fluctuating movement throughout 2024. Early in the year, the JCI reached several record highs (ATHs), peaking at 7,905.39 on September 20, 2024. However, global pressures such as the Fed's hawkish stance, volatility in the yen carry trade, and domestic political instability caused the JCI to fall to 6,726.92 in June. By year's end, the JCI failed to maintain its positive trend and closed around 7,000 due to the absence of window dressing. This phenomenon demonstrates the JCI's high sensitivity to economic and political signals, both global and domestic.

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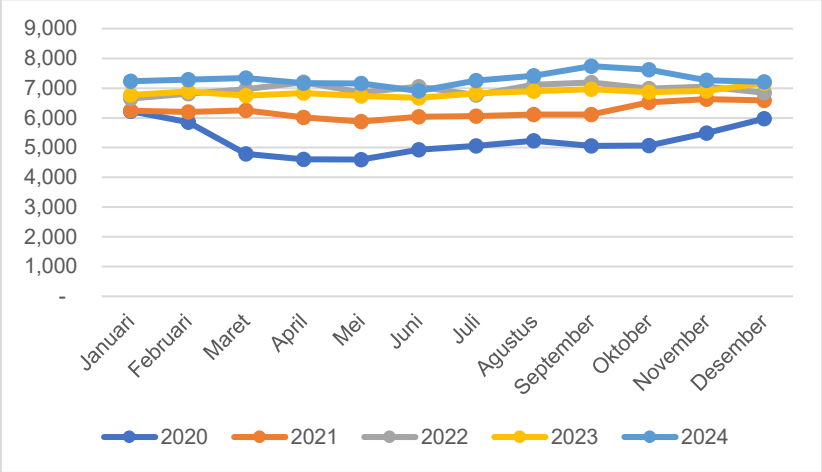

Figure 1. JCI Performance 2020-2024
Source: Investing.com

The figure depicts the JCI movement trend from 2020 to 2024. The sharpest decline was recorded in 2020, when the index fell from 6,225.77 in January to just 4,599.33 in May. This drastic decline was triggered by the outbreak of the COVID-19 pandemic, which caused major disruptions to the global supply chain, changes in consumer behavior, and increased uncertainty in financial markets. Entering the post-2020 period, the JCI showed signs of gradual recovery, although it remained overshadowed by a number of global economic pressures such as inflation, rupiah exchange rate volatility, and international trade dynamics. At the end of 2021, the JCI was recorded at 6,585.78, then rose to 6,840.13 at the end of 2022, and reached its highest level of 7,166.34 towards the end of 2023. This positive trend continued in early 2024, where the JCI rose to 7,238.07, reflecting market optimism regarding the prospects for economic recovery.

Investment decisions in the capital market are significantly shaped by a variety of economic and non-economic factors. The fluctuation of the JCI is continuously affected by these factors, including macroeconomic conditions (Siringoringo et al., 2025). An empirical study by Saefulloh et al. (2023) Conditions under which prices. The increase in prices for goods and services is generally called inflation. Due to inflation, shifts in exchange rates exert a direct impact on the market dynamics of goods and services supply and demand. As economic growth accelerates, inflation typically rises because incomes and employment opportunities increase, boosting people's purchasing power. This increase in purchasing power impacts corporate revenues and profits, resulting in increased stock prices. Tamara et al (2024) analyzed the effect of monetary policy and macroeconomic factors on capital market performance and found that inflation significantly influenced the JCI. Similarly Yudhistira & Indriastuti (2024), who examined the impact of inflation, the exchange rate, and the BI rate on the JCI, also confirmed the significant role of inflation. In contrast, Yuliandera et al. (2025), who studied the effect of inflation, exchange rates, and interest rates on the JCI, reported that inflation did not significantly affect the JCI.

The study conducted by Paat et al. (2024) The exchange rate refers to the amount of domestic currency required to obtain one unit of foreign currency. In general terms, it represents how much of the domestic currency is required to obtain a unit of foreign currency. Exchange rates themselves are generally classified into two types: the nominal exchange rate, which refers to the market exchange rate between two currencies, and the real exchange rate, which reflects the relative price of domestic goods compared to foreign goods (Roy, 2021). Changes in exchange rates, both nominal and real, not only reflect the dynamics of international trade but can also influence investors' perceptions of a country's economic stability. Exchange rate fluctuations often impact capital markets because they reflect investors' perceptions of economic stability. Rupiah appreciation can increase purchasing power and attract more foreign investment, thus driving stock market strength. Khair et al. (2024) examined the effect of interest rates, inflation, and the rupiah exchange rate on the JCI with profitability as a moderating variable and found that exchange rate movements significantly influence the JCI. Similarly, Yudhistira & Indriastuti (2024) analyzed the role of inflation, the exchange rate, and the BI rate on the JCI and confirmed the significant impact of exchange rate fluctuations. In contrast, Ameliaa et al. (2024), who investigated the effect of inflation, interest rates, and the exchange rate on the JCI, reported that exchange rate fluctuations did not significantly affect the JCI.

According to Siringoringo et al. (2025) The interest rate is the fee charged by financial institutions, such as banks, to borrowers, or conversely, the rate of return earned by depositors. In an economic context, the interest rate plays a crucial role as an indicator of the cost of funds, influencing decisions regarding investment, consumption, and lending activities. As a monetary policy instrument, the BI Rate is set by Bank Indonesia as a benchmark interest rate to control money market liquidity. A properly managed increase in the benchmark interest rate can boost investor confidence through exchange rate stability and inflation control. This creates a healthier investment climate and encourages stock market strengthening. Sia et al. (2024) explored whether inflation or interest rates matter to Indonesian stock prices using an asymmetric approach and found that interest rates play a significant role in influencing the JCI. Similarly, Hariyadi & Irawati (2025) analyzed the effect of inflation, exchange rates, SBI interest rates, the Dow Jones Index, and the Nikkei 225 on the JCI and confirmed the significant impact of interest rates. In contrast, Saputri & Irawati (2023), who examined the BI rate, rupiah exchange rate, the Dow Jones Index, and the Nikkei 225, reported that interest rate fluctuations did not significantly affect the JCI.

According to Herlianto & Hafizh (2020) The Dow Jones Industrial Average (DJIA) is an indicator used as a criterion for assessing the business outcomes of companies within the U.S. industrial sector. The DJIA was chosen as a variable based on its ability to reflect the state of the United States economy, in line with the JCI's function in depicting the national economy through the Indonesia Stock Exchange. The DJIA's influence on the JCI indicates that movements in the U.S stock market can have a direct impact on the Indonesian stock market. When the DJIA rises, this often increases global investor confidence, including in Indonesia, thus driving the JCI upwards. Rahayu & Diatmika (2023) investigated the effect of inflation, world oil prices, and the Dow Jones Industrial Average on the JCI, showing that the Dow Jones Index significantly influenced the market. Similarly, Syarifuddin & Yusroni (2024) examined the impact of the exchange rate, inflation, BI interest rates, and the Dow Jones Index on the JCI and confirmed its significant effect. In contrast, Deane & Ismawati (2023), who analyzed the role of world oil prices, the Dow Jones Industrial Average, and the Hang Seng Index, found that the DJIA did not significantly affect the JCI.

Overall, prior studies have enriched empirical evidence on the macroeconomic determinants of the JCI. However, most of them focus primarily on the statistical effects of these variables without employing a theoretical framework. In particular, they do not explicitly use signaling theory to explain how macroeconomic and global indicators function as signals that shape investor perceptions and decision-making. As a result, the theoretical mechanisms underlying these relationships remain insufficiently addressed.

Thus, despite extensive empirical findings, the absence of signaling theory in prior studies limits the understanding of how macroeconomic and global factors transmit information to investors and influence capital market behavior. This study seeks to address these gaps by analyzing the impact of inflation, interest rates, the rupiah exchange rate, and the DJIA on the JCI during the 2020–2024 period. By adopting signaling theory, the study highlights how these variables operate as information signals that guide investor expectations and market performance. The five-year observation period enables an examination of both the COVID-19 shock and the subsequent recovery phase, while the inclusion of the DJIA strengthens the global perspective. Through this approach, the study contributes not only updated empirical findings but also a stronger theoretical explanation of the dynamics shaping Indonesia's capital market.

2. Literature Review

Signal Theory

Signaling theory is a concept that explains that every strategic step taken by management can function as a signal that reflects their expectations regarding the company's future prospects or performance (Qotimah & Kalangi, 2023). This theory is based on the existence of information asymmetry between management, who have more in-depth access to the company's condition and prospects (well-informed), and shareholders or investors, who have limited information (poor-informed). Information released to the public by management serves as a reference for investors in formulating investment strategies.

Timely submission of financial reports is a positive indicator for users of financial information, both directly and indirectly. Compliance with reporting requirements indicates a company's good performance. Conversely, delays in reporting can negatively impact the company.

The Relationship between Inflation Rate and the Movement of the Jakarta Composite Index

According to signaling theory, a stable or declining inflation rate does not always send a positive signal to investors. In some circumstances, excessively low or declining inflation can signal an economic slowdown or the risk of deflation, which could erode corporate profits. This can lower investor optimism, reduce interest in stock investments, and ultimately negatively impact the JCI. This finding is supported by a study from Oktaviyani & Permada (2025) and Hidayat & Budiarti (2025) which shows that low inflation over a period of time can cause economic uncertainty and pressure on the stock market. The first hypothesis is formulated in accordance with the description above.

H1: Inflation has a significant negative relationship with the Jakarta Composite Index

The Relationship between the Rupiah Exchange Rate and the Movement of the Jakarta Composite Index

The decline in the rupiah's value relative to foreign currencies is not invariably a positive indicator for market participants. In some cases, rupiah depreciation can increase import costs and create inflationary pressures, burdening companies that rely on imported raw materials. Furthermore, rupiah depreciation can also raise concerns about economic stability and undermine investor confidence, ultimately negatively impacting the Jakarta Composite Index. These findings are supported by a study by Fitriani et al. (2022) which shows that the weakening of the rupiah exchange rate has a negative impact on the JCI due to increasing import costs and declining company performance.

H2: The Rupiah Exchange Rate has a significant negative relationship with the Jakarta Composite Index

The Relationship between Interest Rates and Movements in the Jakarta Composite Index

Interest rate increases do not always have a positive impact on the Jakarta Composite Index. Significantly higher interest rates can signal concerns about inflation and economic slowdown, prompting investors to shift their funds to other financial instruments perceived as safer. This has the potential to reduce interest in stocks and cause the JCI to decline. Furthermore, high interest rates also increase borrowing costs for companies, ultimately depressing issuer profits and eroding investor confidence. This finding is supported by a study from Khair et al. (2024) which shows that the JCI tends to fall when interest rates rise. The third hypothesis is formed in accordance with the description above.

H3: Interest rates has a significant negative relationship with the Jakarta Composite Index

The Relationship between the DJIA and the Movement of the Jakarta Composite Index

The movement of global stock indices, such as the DJIA, can be an important guide for investors in Indonesia. When the Dow Jones strengthens, it's interpreted as a positive indicator for the global economy. This optimism then spreads to the Indonesian stock market, boosting investor confidence and encouraging foreign capital inflows. Ultimately, this can strengthen the JCI. Consistent with the findings of Saputri & Irawati (2023) and Hariyadi & Irawati (2025). This indicates that variations in the DJIA exerts a direct influence on stock market performance, particularly on the movement of the JCI. The fourth hypothesis is formulated in accordance with the description above.

H4: The DJIA has a significant positive relationship with the Jakarta Composite Index

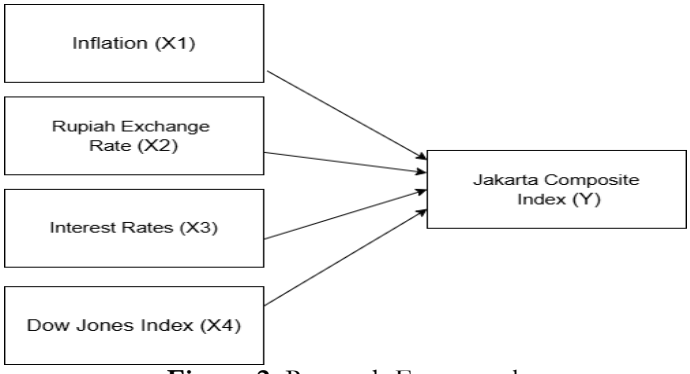

Figure 2. Research Framework
Source: Data Processing

3. Research Method

Data The Jakarta Composite Index (JCI) for 2020–2024 was used as the population in this study, with all its values officially recorded by the Indonesia Stock Exchange. Due to the limited population, this study employed a saturated sampling technique, where all individuals in the population were examined. The sample consisted of time series data collected over five years, from 2020 to 2024, with data collected monthly, resulting in 60 samples.

Secondary data is used as the basis for this research, with data collection carried out through access to the official websites of related agencies, such as the Indonesian Stock Exchange (www.idx.co.id), Bank Indonesia (www.bi.go.id), Central Statistics Agency (www.bps.go.id), and Investing.com (www.investing.com).

Table 1. Operational Definition of Variables

No	Variables	Operational Definition	Measurement Method
1	Inflation	Inflation is a condition of increasing prices of goods and services in an economy over a certain period of time.(Anas & Isnan, 2024).	$\frac{\text{Consumer Price Index}_t - \text{Consumer Price Index}_{t-1}}{\text{Consumer Price Index}_{t-1}} \times 100\%$
2	Exchange rate	The exchange rate shows the amount of foreign currency that can be bought or sold for domestic currency.(Nurajizah et al., 2024)	$\frac{\text{Buying Rate} + \text{Selling Rate}}{2}$
3	Interest rate	The interest rate shows how much percentage of compensation is received from the amount of funds borrowed.(Christine et al., 2023)	$\frac{\text{Daily Rate (1 month)}}{\text{Period}}$
4	DJIA	The Dow Jones Index is a measuring tool for viewing the business outcomes of companies within the U.S. industrial sector.(Herlianto & Hafizh, 2020)	$\frac{\sum P_S}{\text{Divisor}}$

In this study, SPSS version 27 was used as a medium for statistical data processing and analysis. The characteristics of the variables studied were explained through descriptive data processing. Subsequent tests included the classical assumption test, the F-test, the coefficient of determination, and the T-test. This study employs the following regression equation model to examine the influence of inflation, exchange rates, interest rates, and the DJIA on the JCI.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

$$JCI: a + Inflation\ (X_{1)} + Exchange\ Rate\ (X_{2)} + Interest\ Rate\ (X_{3)} + DJI\ (X_{4)} + \varepsilon$$

Information:

Y = Jakarta Composite Index
A = Constant
$\beta_1\ \beta_2\ \beta_3\ \beta_4$ = Regression Coefficient
X_1 = Inflation
X_1 = Exchange rate
X_1 = Interest rate

X_1 = Dow Jones Index
ε = Errorestimate

4. Results and Discussion

Descriptive Test

Table 2. Descriptive Statistics

Indicator	Minimum	Maximum	Mean	Standard Deviation	N
Jakarta Composite Index	4599.33	7739.80	6514.7795	786.76258	60
Inflation	1.32	5.95	2.7582	1.33075	60
Exchange Rate	13732.23	16337.33	14968.1361	670.94258	60
Interest Rate	3.50	6.25	4.7375	1.10318	60
Dow Jones Index	22637.42	43716.93	33656.5687	4643.38826	60

Source: Data Processing

According to the table above, the Jakarta Composite Index reached its highest level of 7739.8 in September 2024, and its lowest level was 4599.33 in May 2020. The IHSG had a mean of 6514.77 and a standard deviation of 786.76 throughout the study period. The comparatively high standard deviation value against the mean shows significant fluctuations in the IHSG's movement during the study period, indicating that the stock market was unstable and influenced by various economic factors during that period. The highest inflation value was recorded at 0.0595 in September 2022, while the lowest value was 0.0132 in August 2020. The average inflation during the study period was 2.7582 with a standard deviation of 1.33075. Since the average value is higher than the standard deviation, it can be concluded that inflation during this period showed stability. For the exchange rate variable, the peak value of 16,337 occurred in June 2024, while the lowest value was 13,732.23 in January 2020. The average exchange rate was recorded at 14,968.1361 with a standard deviation of 670.94258. This indicates that the foreign exchange market conditions were relatively stable and did not experience high volatility during the study period. The interest rate had a highest value of 0.0625 which occurred in the period April to August 2024, and a lowest value of 0.0350 from February 2021 to July 2022. During the study period, The average interest rate during the study period was 4,7375, with a standard deviation of 1,10318., which indicates a relatively stable interest rate level. Meanwhile, the Dow Jones Index showed a highest value of 43,716.93 in November 2024 and a lowest value of 22,637.42 in March 2020. The average index was recorded at 33,656.5687 with a standard deviation of 4,643.38826. These results reflect significant fluctuations in the DJIA, indicating that the global stock market experienced significant dynamics throughout the period.

Equation Result:

$$Y = 3148.578 + 288.474 - 0.191 + 28.886 + 0.157X_1\ X_2X_3X_4$$

From the equation, the interpretation is as follows: The constant value of 3148.578 represents the JCI when the variables of inflation, exchange rate, interest rate, and the DJIA remain unchanged (in a constant condition). The coefficient β_1 = 288.474 indicates that inflation has a positive effect on the JCI, meaning that a one-unit increase in inflation results in a rise in the JCI by 288.474 points. The coefficient β_2 = -0.191 shows that the exchange rate negatively affects the JCI, with a one-unit increase in the exchange rate leading to a decrease in the JCI by 0.191 points. The coefficient β_3 = 28.886 demonstrates that interest rates have a positive influence on the JCI, meaning a one-unit increase in interest rates tends to cause the JCI to rise by 28.886 points. Finally, β_4 = 0.157 indicates that the DJIA positively impacts the JCI, with a one-unit increase in the DJIA resulting in an increase in the JCI by 0.157 points.

Classic Assumption Test

Table 3. Classical Assumption Test Table

Assumption	Criteria	Results	Information
Normality	One-Sample Kolmogorov-Smirnov (Sig. > 0.05)	Unstandardized Residual Sig. = 0.200	Qualified
Autocorrelation	-2 < DW > 2	-2 < 0.571 < 2	Qualified
Multicollinearity	Tolerance > 0.1; VIF < 10	X1 Tolerance .842; VIF 1.188 X2 Tolerance .343; VIF 2.919 X3 Tolerance .333; VIF 3.000 X4 Tolerance .679; VIF 1.S473	Qualified
Heteroskedasticity	Glejser with Sig. > 0.05	X1 Sig. 0.601 X2 Sig. 0.274 X3 Sig. 0.783 X4 Sig. 0.324	Qualified

Source: Data Processing

The results of the classical assumption tests indicate that the regression model meets all the necessary requirements. The residuals are normally distributed, as shown by the normality test with a significance value of 0.200 (>0.05). The Durbin–Watson statistic of 0.571 falls within the acceptable range of −2 to +2, confirming that the model is free from autocorrelation. Furthermore, the tolerance values exceed 0.10 and VIF values remain below 10, indicating no multicollinearity among the independent variables. Lastly, the Glejser test results show significance values greater than 0.05 for all variables, suggesting that the model does not suffer from heteroscedasticity. Overall, these findings confirm that the regression model is feasible and valid for further analysis.

Equation Regression Test

Table 4. Regression Test Table

Information	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std Error	Beta		
Inflation_X1	288,474	28,262	.488	10,207	.000
Exchange Rate_X2	-.191	.088	-.163	-2,173	.034
Interest Rate_X3	28,886	54,180	.041	.533	.596
Dow Jones Index_X4	.157	.009	.928	17,433	.000
F test			.000		
Adj. R Square			.886		

Source: Data Processing

Simultaneous Test (F)

The results of the F-test show a high F value, indicating a significant relationship between the variables. The significance level of 0.000, which is less than 0.05, confirms the statistical significance of the regression model. This suggests that the model is acceptable for further analysis.

Coefficient of Determination Test

Based on Table 4, the Adjusted R Square value is 0.886, or 88.6%. This indicates that inflation, exchange rates, interest rates, and the Dow Jones Index contribute 88.6% to the variation in the Composite Stock Price Index. The remaining 11.4% is attributed to external factors not accounted for in this model.

Partial Test (T)

The Relationship between Inflation and the Jakarta Composite Index

The research findings indicate that the inflation variable showed a significance value of 0,000 < 0,05 and a value of calculated t_{value} 10,207 > critical t_{value} 1,67303. Therefore, H_0 it was rejected and H_a accepted, indicating that the inflation variable had a significant positive effect on the JCI. However, this result does not align with the hypothesis stating a negative effect. Therefore, the research hypothesis is rejected, as the direction of the observed effect does not correspond with the hypothesized relationship.

In signal theory, inflation should be an indicator for investors. However, in practice, not all inflationary conditions provide a positive signal. While the theory states that inflation

serves as a signal for investors, inflation that is too low or declining can send a negative signal because it indicates an economic slowdown, thus reducing investor confidence and negatively impacting the movement of the Jakarta Composite Index (JCI). However, the results of this study indicate the opposite, namely that the inflation rate had a significant positive effect on the JCI. Inflation during the study period was moderate, with the highest level being 5.95%. At this level, inflation has not yet significantly reduced people's purchasing power, especially for basic necessities, so it does not have a significant impact on company revenues. With relatively stable issuer performance, investors generally prefer to maintain their positions in the stock market. Thus, the effect of inflation on the JCI is highly dependent on its level and context. Under conditions of moderate inflation, inflation can even be a positive signal for the stock market because it is seen as an indicator of healthy economic growth.

The empirical results are consistent with Syarifuddin & Yusroni (2024), Putranto & Kusuma (2024), Istianah & Meliza (2024), and Ameliaa et al. (2024) which shows that inflation has a significant positive effect on the JCI. However, the results of this study contradict the findings Hidayat & Budiarti (2025), Priyana et al. (2024), and Sari & Zakiyyah (2024) which states that inflation has a negative impact on stock price movements, where rising inflation tends to lower the JCI.

The Relationship between Exchange Rates and the Jakarta Composite Index

The research findings indicate that the exchange rate variable shows a significance value of 0,034 < 0,05 and calculated t_{value} -2,173 < critical t_{value} 1,67303. Thus, H_0 it is rejected and H_a accepted, so that partially the exchange rate variable has a significant negative effect on the JCI, in accordance with the proposed hypothesis. Therefore, the research hypothesis is accepted because the direction of the influence found is the same as expected.

In signal theory, the weakening of the rupiah reflects economic instability, which sends a negative signal to investors. Rupiah depreciation can increase import costs and drive inflation, triggering investor concerns, which in turn lowers the JCI. Based on data from 2020–2024, the rupiah exchange rate tended to weaken, particularly from 2022 to 2024, reaching Rp15,858.87/USD. This depreciation sends a negative signal because it increases import-based production costs and depresses company performance, thus reducing investor confidence in the Indonesian stock market.

The empirical results are consistent with Fitriani et al. (2022), Hijrianti et al. (2024), Monica & Fitanto (2024), and Pramesthi et al (2024) which shows that exchange rate fluctuations, particularly the depreciation of the rupiah against the US dollar, have a significant negative effect on the JCI. However, this study's results are not aligned with the findings Yuliandera et al. (2025), Sari et al. (2024), and Priyana et al. (2024) which states that the exchange rate has a positive influence on stock price movements, where an increase in the exchange rate tends to encourage an increase in the JCI.

The Relationship between Interest Rates and the Jakarta Composite Index

The research findings indicate that the interest rate variable shows a significance value of 0,596 > 0,05 and calculated t_{value} 0,533 < critical t_{value} 1,67303. Therefore, H_0 it is accepted and H_a rejected, suggesting that interest rates do not significantly influence the JCI. However, this result does not align with the research hypothesis, which stated a negative effect. Therefore, the research hypothesis is rejected because the expected direction of the effect was not statistically proven.

According to signaling theory, rising interest rates should send a negative signal to investors by increasing borrowing costs and reducing investment appetite in the stock market. However, this study's findings indicate that interest rate changes do not align with signaling theory, as they do not significantly impact the JCI. Based on data from 2020-2024, the BI 7DRR benchmark interest rate reached its lowest level of 3.50% in 2021 to encourage post-pandemic economic recovery, then gradually increased to 6.25% in 2024 in response to global inflationary pressures. Despite significant interest rate increases since 2022, the JCI continued to show a strengthening trend of 17.34%, from 6,221.18 in 2021 to 7,300.87 in 2024. This condition indicates that positive sentiment due to other factors was more dominant in influencing the JCI, so the negative effect of interest rate increases as predicted by signaling theory was not fully confirmed.

The empirical results are consistent with Togatorop & Yovita (2024), Ameliaa et al. (2024), Citra Asmara et al. (2022), and Sari et al. (2025) which suggests that interest rates do not significantly impact the JCI. However, contrary to the findings Khair et al. (2024), Sari & Zakiyyah (2024), and Hijrianti et al. (2024) which suggests that interest rates exert an adverse influence on stock price movements, where rising interest rates are generally associated with a decrease in the JCI.

The Relationship between DJIA and the Jakarta Composite Index

The research findings indicate that the Dow Jones Index variable shows a significance value of 0.000 < 0.05 and calculated t_value 17,433 > critical t_value 1.67303. Therefore, H_0 it is rejected and H_a accepted, so that partially the DJIA variable has a significant positive effect on the IHSG, in accordance with the proposed hypothesis. Therefore, the research hypothesis is accepted because the direction of the influence found is the same as expected.

Signaling theory states that the movement of global stock indices, such as the Dow Jones, serves as a significant reference for investors in determining investment choices. A strengthening Dow Jones is interpreted as a positive signal of healthy global economic conditions, which then increases investor confidence and encourages capital flows to stock markets in other countries, including Indonesia. Based on research data, during the 2020-2024 period, the Dow Jones Index grew by an average of 11.25% per year, while the Jakarta Composite Index (JCI) grew by an average of 8.90% per year. This positive correlation reinforces the theory that a strengthening Dow Jones Index signals global economic optimism that spreads to the Indonesian stock market, encouraging foreign capital inflows, and ultimately strengthening the JCI's performance.

The empirical results are consistent with Hariyadi & Irawati (2025), Istianah & Meliza (2024), Wardatunisa et al. (2024), and Bako & Abdullah (2024) which shows that the Dow Jones Index actually has a significant positive effect on the IHSG. However, the results of this study contradict the findings Talita & Eduardus (2023) and Midesia (2022) which states that the DJIA has a negative effect on stock price movements, where an increase in the DJIA tends to lower the JCI.

5. Conclusion

Based on research findings regarding the influence of inflation, exchange rates, interest rates, and the Dow Jones Index on the JCI for the 2020–2024 period, The findings indicate that the four variables, when considered together, significantly affect the movement of the JCI. Separately, increases in inflation and the DJIA show a positive effect on the JCI, meaning that increases in inflation within certain limits and increases in the Dow Jones Index tend to drive the JCI upward. Conversely, the depreciation of the rupiah against the US dollar exerts a negative impact on the JCI, while interest rates do not show a statistically significant effect on the JCI.

These findings suggest that investment decision-making in the Indonesian capital market requires investors to thoroughly evaluate relevant macroeconomic indicators, including inflation, the rupiah exchange rate, and global market conditions, as represented by the Dow Jones Index. Meanwhile, interest rates during this period can be considered less relevant because they did not contribute significantly to changes in the JCI. Therefore, an investment strategy that adapts to changes in inflation, exchange rates, and global market sentiment will be more effective in optimizing investment returns, particularly during the pandemic and the economic recovery phase.

Suggestions for further research include the addition of other variables, such as oil prices, the Federal Reserve Rate, and bond yields. This research is expected to provide investors with insights into determining investment strategies in the capital market and serve as a reference for further research with a broader timeframe and variables.

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