

THE IMPACT OF POLITICAL EVENT ON EXCHANGE RATE VOLATILITY

(Study at Bloomberg on January-December 2016)

UNDERGRADUATE THESIS

**Submitted for Bachelor Exam at Faculty of Administrative Science
Brawijaya University**

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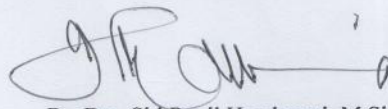
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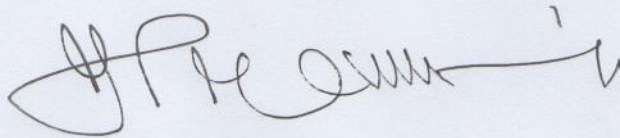
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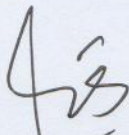
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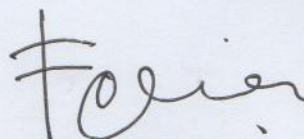
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DEDICATION PAGE

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ALLAH SWT

THIS UNDERGRADUATE THESIS IS DEDICATED TO

MY BELOVED PARENTS

MY BIG BELOVED FAMILY

MY ALL BEST FRIENDS

AND FACULTY OF ADMINISTRATIVE SCIENCE

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SUMMARY

Ratna Sari Supriyanti, 2017, *The Impact Of Political Event On Exchange Rate Volatility (Study At Bloomberg On January-December 2016)*. Dr. Dra. Siti Ragil Handayani, M.SI. Page 119 + xviii

Exchange rate fluctuation can be influenced by several factors, including economic factors and non-economic factors. Inflation, Interest rate, capital current account, budget deficit and etc are one of the economic factors that can affect exchange rate movement. Non-economic factors that can affect exchange rate movements are political risks such as war, presidential election and natural disasters. Focus of this research is the effect of British Exit on closing price of Pound Sterling (GBP) against US Dollar and US Dollar against Rupiah.

This study uses quantitative approach and event study methodology to analyze the effect of British Exit on Pound Sterling (GBP) against US Dollar and US Dollar against Rupiah. ARCH-GARCH model is also used in this research to explore the volatility of Pound Sterling (GBP) against US Dollar and US Dollar against Rupiah. Sample used in this study are 101 data. This sample was obtained from the observation time used, ie 50 days before the fatalities and 50 days after the incident. The type of data used in this study is secondary data consisting of time series data of the closing price of the Pound Sterling (GBP) against US Dollar and US Dollar against Rupiah.

The results explained that: 1) Wilcoxon test in Pound Sterling (GBP) against US Dollar shows the differences before and after British Exit event ; 2) Wilcoxon test on US Dollar against Rupiah shows that there is a difference in daily closing price before and after British Exit event; 3) Analysis of Pound Sterling (GBP) against US Dollar using ARCH-GARCH model indicates a volatility occurs around the observation time (101 days around the British Exit event); 4) Analysis on US Dollar against Rupiah using ARCH-GARCH model shows volatility occurs around the observation time (101 days around British Exit event; 5) Results from ARCH-GARCH evaluation model using ARCH-LM in Pound Sterling (GBP) against US Dollar and US Dollar against Rupiah indicates that ARCH-GARCH the model could overcome the element of heteroscedastisity in the data sample that are GBP against USD and USD against IDR. The results show that investors, or other parties that using foreign exchange rates in trading activities or other foreign activities suggested to anticipate the effects of volatility that occur due to non-economic factors affecting, especially political factors.

Keywords: British Exit, Exchange Rate, Event Study, ARCH-GARCH Model

RINGKASAN

Ratna Sari Supriyanti, 2017, *The Impact Of Political Event On Exchange Rate Volatility (Study At Bloomberg On January-December 2016)*. Dr. Dra. Siti Ragil Handayani, M.SI. Halaman 119 + xviii

Fluktuasi harga nilai tukar dapat dipengaruhi oleh beberapa faktor, diantaranya faktor ekonomi dan faktor non-ekonomi. Inflasi, nilai suku bunga, neraca modal, defisit anggaran dan lain-lain adalah salah satu faktor ekonomi yang dapat mempengaruhi pergerakan harga nilai tukar. Faktor non-ekonomi yang dapat mempengaruhi pergerakan harga nilai tukar adalah resiko politik seperti perang, pemilihan presiden, bencana alam. Fokus penelitian ini adalah pengaruh British Exit pada harga penutupan nilai tukar Poundsterling (GBP) terhadap US Dollar dan US Dollar terhadap Rupiah.

Penelitian ini menggunakan pendekatan kuantitatif dan metodologi *event study* untuk menganalisis efek dari kejadian British Exit terhadap nilai tukar Poundsterling (GBP) terhadap US Dollar dan US Dollar terhadap Rupiah. ARCH-GARCH model juga digunakan dalam penelitian ini untuk mengeksplor volatilitas nilai tukar Poundsterling (GBP) terhadap US Dollar dan US Dollar terhadap Rupiah. Sampel yang digunakan dalam penelitian ini berjumlah 101 data. Sampel ini didapat dari waktu observasi yang digunakan, yaitu 50 hari sebelum kejadian dan 50 hari setelah kejadian. Jenis data yang digunakan dalam penelitian ini adalah data sekunder yang terdiri dari data *time series* harga penutupan nilai tukar Poundsterling (GBP) terhadap US Dollar dan US Dollar terhadap Rupiah.

Hasil penelitian ini menjelaskan bahwa: 1) Uji Wilcoxon pada Poundsterling (GBP) terhadap US Dollar menunjukkan adanya perbedaan sebelum dan sesudah kejadian *British Exit*; 2) Uji Wilcoxon pada US Dollar terhadap Rupiah menunjukkan bahwa ada perbedaan yang terjadi pada harga penutupan nilai tukar sebelum dan sesudah kejadian British Exit; 3) Analisis pada nilai tukar Poundsterling (GBP) terhadap US Dollar menggunakan ARCH-GARCH model menunjukkan adanya volatilitas yang terjadi di sekitar waktu observasi (101 hari di sekitar kejadian British Exit); 4) Analisis pada nilai tukar US Dollar terhadap Rupiah menggunakan ARCH-GARCH model menunjukkan adanya volatilitas yang terjadi di sekitar waktu observasi (101 hari di sekitar kejadian British Exit); 5) Hasil dari evaluasi ARCH-GARCH model menggunakan ARCH-LM pada Poundsterling (GBP) terhadap US Dollar dan US Dollar terhadap Rupiah menunjukkan bahwa ARCH-GARCH model dapat mengatasi unsur heteroskedastisitas pada sampel yang diteliti yaitu GBP terhadap USD dan USD terhadap IDR. Hasil penelitian menunjukkan bahwa investor, atau pihak yang menggunakan nilai tukar luar negeri dalam aktivitas perdagangan atau aktivitas luar negeri lainnya disarankan untuk mengantisipasi efek volatilitas yang terjadi dikarenakan faktor non ekonomi yang mempengaruhi, terutama faktor politik.

Kata Kunci: British Exit, Nilai Tukar, *Event Study*, ARCH-GARCH Model

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The Researcher

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