



A Study on Market Return and the Impact of Macroeconomic Factors

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Abstract

The purpose of this study was to analyze the effect of macroeconomic variables on market returns. The population used in this study are countries listed on Morgan Stanley Capitalization International. The sample was selected by using the Slovin formulation method and in this study was collected 45 countries. Panel data regression was used to analyze the data. The results showed that the interest rate and inflation rate have a negative effect on market return. Meanwhile, gross domestic product has a positive effect on market return. In addition, the money supply has no effect on market return. Observing and studying the stock price index is very important for investors who want to put their shares on the stock market to gain maximum returns. Macroeconomic factors can help investors to provide information and make decisions about the pros and cons of a country's stock market performance and the movement of shares.

Keywords: interest rate, money supply, inflation rate, gross domestic product, market return.

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I. INTRODUCTION

Investment activities in the capital market are one of the economic activities enjoyed by the community. Generally, investment is any asset or funds placed in financial institutions by a person or institution with an expectation to provide positive income or the value will increase in the future (Tandelilin, 2017:2). The stronger investment in a country, the stronger the production or services that will be produced by that country in order to advance the economy (Laichena and Obwogi, 2015). Investment activities have the aim to get a better return, reduce the risk if inflation occurs, and encourage to save a country's tax. Investment activities can be carried out by people not only in financial institutions of central banks, investment banks, and non-bank institutions such as insurance companies, unit trusts, and mortgage companies but also including capital market (Mishkin, 2009:41).

The capital market is a liaison between investors (owners of funds) with companies or government institutions that need funds through long-term trading instruments (stocks, bonds, right issues, etc.). Historical data on stock movements is very much needed by investors in making transactions on the stock price index (Tandelilin, 2010:86). To understand market conditions an investor usually will consider the total of return that they will gain. Total of return is the total amount of an investment activity in period of time which consists of capital gain (loss). Capital gain (loss) is a margin between the recent and the previous investment prices.

Figure 1 informs the movement of market return and shows that it fluctuates during the periods. Based on ten country that randomly chosen by researcher, market return could be the indices for future planning of the investment. Started from 2016 the market return was 18,64%, in 2017 the market return was decreased into 16,07%, in 2018 market return was sharply decreased into -10,32%, and aggressively in 2019 market return was increased into 18,70%. An active market was indicated by a stock price index that is experiencing an increase or vice versa. The uncertainty of fluctuative makes investors dislike to invest in capital market (Ipekten and Aksu, 2009). To find out how economic activity moves, rises or falls in market return, many investors will see from the index side at that time (Panggraito et al., 2014).

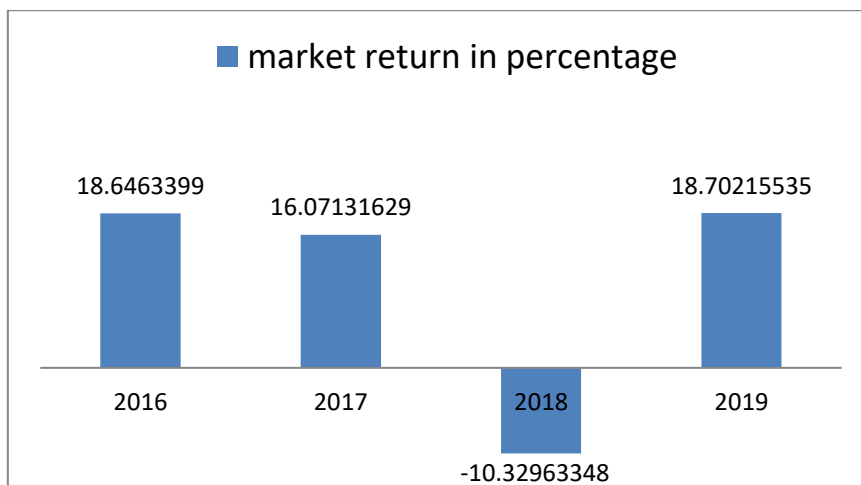


Figure 1. Market Return from Market Capitalization on 2016-2019

According to Alwi (2008:87), there are two factors causing the fluctuation on market return, namely microeconomics and macroeconomics factors. Microeconomics is a science that explains the role of individuals on economic actors, how companies make decisions, and how they will interact in certain markets. Microeconomics also has some function to conduct an analysis of market mechanisms that shape prices relative to products and services, as well as allocation from limited sources among the many uses of many alternatives and also conduct an analysis of market failures, when the market fails to produce efficient results and explain various theoretical conditions needed for a perfectly competitive market.

Macroeconomic environment is an environment outside a company that can affect the daily operations of the company (Trivanto et al., 2015, Yuliastari et al., 2021). Macroeconomic environment can directly affect company performance and stock performance including interest rates, economic cycles, inflation, government policies related to certain companies, exchange rates, tax regulations, budget deficits, foreign loan interest rates, international economic conditions, economic understanding, money supply, private investment, trade balance and payments (Tandelilin, 2010:343).

Macroeconomics can help to understand and solve problems related to the economy, and also as a tool to determine the direction of the policy to be taken or in decision making. Macroeconomics also has several functions for the country, companies, or individuals, namely to increase production capacity, to increase employment opportunities in society, to control the inflation rate in a country, to increase national income, to maintain economic stability, to balance the balance of payments abroad, to help equitable distribution of income, and to increase economic growth in a country. An investor who is able to predict macroeconomic conditions in the future will be able to make the right decision whether he will buy, sell or hold shares (Asmara and Suarjaya, 2018).

Both microeconomics and macroeconomics have an influence on a company and an investor. In this study, researchers will only use macroeconomics as a research variable. The reason macroeconomic was chosen as a research variable because the macroeconomic environment is more adaptable to stock prices. The second reason for choosing a macroeconomic environment is because the impact of macroeconomic variables cannot be avoided, because they do not only affect one or two companies, but also all companies on the stock price index can be affected (Samsul, 2006:200).

Macroeconomics has so many variables that can be examined, but researchers only take variables that have an important role and influence on investment from a country. Interest rates, gross domestic product, inflation, and the money supply are macroeconomic variables that have a very important role and are most influential on investment in a country (Mankiw, 2007:499). Based from the previous research there is still a different result on the variables that affect the market return and make the researcher want to prove it by using this research as the following independent variables.

The first variable is interest rate. Changes in interest rates will have an impact on changes in the amount of investment from a country, both from domestic investors and from foreign investors. Based from previous research conducted by Jayanti et al. (2014), Asmara and Suarjaya (2018) obtained research results which stated that interest rates had a significant negative effect on the Indonesia composite price index. However, this research is inversely related to research conducted by Attari and Safdar (2013) and Wijayaningsih (2016) which state that interest rates has a significant positive effect on the Indonesia composite price index.

An increase in money supply growth would indicate excess liquidity available for buying securities, resulting in higher security prices. Based from previous research from Thabet (2014), Singh (2015), Ali et al. (2016), Hasanah and Panjawa (2016), Murthy et al. (2017) which shows that the money supply has a significant

positive effect on the Market Return. However, this research is inversely related to research conducted by Forson and Janrattanagul (2014) which shows that money supply has a significant negative effect on the Indonesia composite price index.

Inflation rates is the rate at which the general level of prices for goods and service is rising. Previous researches among others Nisha (2015), Forson and Janrattanagul (2014), Nijam et al (2015), Manggala and Rani (2015), and Abbas et al (2014) show that inflation rate has a significant negative to stock return. However, the findings are inversely related to researches conducted by Listriono and Nuraina (2015), Ouma and Muriu (2014), and Astuti (2016) which show that inflation rate has a significant positive toward Indonesia composite price index.

Growing GDP indicates an expanding economy with ample opportunity for a firm to increase sales (Bodie et., al, 2017). GDP growth indicates economic growth. Based from previous research, Arif (2014), Asih and Akbar (2016), Asmara and Suarjaya (2018) shows that GDP has no significant effect toward Indonesia composite price index. However, this research is inversely related to research conducted by Nijam et al. (2015), Linck and Decourt (2016), Laichena and Obwogi (2015) shows that GDP has a positive significant toward composite stock price index.

This research covers capital markets in Morgan Stanley Capital International (MSCI) as a sample in this research, because MSCI also could provide the information about which country that part of develop market, emerging market, frontier market and standalone market by combine this part into one as a sample in order to give an accurate result, which distinguishes this research from previous research which is usually only focused on one stock index.

II. LITERATURE REVIEW

Market Return. Legiman and Muhammad (2015) argue that stock returns are the results obtained from investment. Expectations to obtain returns also occur in financial assets. A financial asset indicates the willingness of investors to provide a number of funds at this time to obtain a flow of funds in the future as compensation for the time factor during which the funds are invested and the risks borne. Thus investors are risking a present value for an expected value in the future.

In general, return is a result obtained from an investment activity. Realized return is calculated based on historical data. Realized return is important in measuring company performance and as a basis for determining future returns and risks. Expected return is in the future and still uncertain. The expected return is used for investment decision making. Expected return can be calculated with several models, namely the Capital Asset Pricing Model (CAPM) and Arbitrage Pricing theory (APT) that can be used to predict expected stock return.

In carrying out investment activities an investor is faced with uncertainty between the return to be obtained and the risk that will be faced. The greater the expected return will be obtained from investment, the greater the risk, so it can be said that the expected return has a positive relationship with risk. High risk is usually interpreted as an opportunity to get a higher return as well.

Returns received are divided into two types according to Jogiyanto (2010:5), namely current income and capital gain or capital loss (price difference between buying and selling price). Current income is the profit obtained through periodic payments in the form of dividends. This profit is usually received in the form of cash or cash equivalents so that it can be cashed quickly. For example, stock dividends are paid in the form of shares that can be converted into cash by selling shares received, while capital gains (losses) are the difference in profits (losses) experienced by shareholders because share prices are now relatively higher (lower) compared to the previous stock price.

Fisher Theory. The Fisher effect that reveals the relationship between inflation rate expectation and interest rate, is firstly discovered by the famous economist Fisher. According to Yugang He (2018), It points out that when inflation rate expectation rises up, the interest rate will also rise up. While there are quantities of reasons for this, the most vital ones can be classified as follows: One reason is to employ the different methods in different countries with different samples; Another reason is that it is very hard to measure the expected inflation rate. The fisher effect holds that there is a direct relation between long-run inflation and nominal interest rates, and interpretation support the differences.

Macroeconomics. Macroeconomics in general is studying the mechanism of the economy as a whole. The concept of macroeconomics is more focused on overall economic activity. According to Tendelilin (2017:344), revealed that there is a strong relationship between stock prices and macroeconomic performance. Macroeconomic has so many variables that can be examined, but researchers only take variables that have an important role and influence on investment from a country. Interest rates, GDP, inflation, and the money supply are macroeconomic variables that have a very important role in macroeconomics and are most influential on investment in a country (Mankiw, 2007:499).

Interest Rate. In general, the interest rate is a loan payment made in the form of a percentage of the principal debt that will be paid as a return (interest) within a certain period. The interest rate functions as a

monetary policy tool that is applied flexibly which depends on the prevailing economic situation at the time. This interest rate will later become a reference in determining whether funds will be saved or invested later. The role of interest rates in investment activities is where interest rates can determine the benefits to be gained in investing. Usually in planning investments, investors expect the rate of return of capital obtained exceeds the interest rate. If the interest rate rises, it will increase the interest expense and capital costs that will have to be borne by the company, so the opportunity to invest is no longer attractive to investors.

Money Supply. Money is a stock of assets that can be immediately used for transactions. The money supply is a stock, which is formulated in a narrow sense (M) including currency and deposits that can be used as a medium of exchange. money supply in the narrow sense is defined as the amount of currency and time deposits. The development of the financial market made M1 even more widespread. In a broad sense (M2) includes M1, quasi money (including savings, time deposits in rupiah and foreign exchange, and current accounts in foreign currencies), and securities issued by the monetary system owned by the domestic private sector with a remaining period of up to one year. Changes in the amount of money supply are determined by the results of interactions between the public and financial institutions and the Central Bank. According to Keynes's theory, the demand for money is rational. Increasing demand for money will raise interest rates. Investment in securities (bonds) when interest rates rise will result in capital gains losses, and will also have an impact on decreasing company stock returns.

Inflation. Inflation is an economic problem that can occur, both in developed and developing countries. One of the causes of inflation is an increase in demand for goods and services in economic development. In general inflation can be interpreted as a process of increasing the general prices of goods continuously (Salamat et al., 2016). Inflation does not refer to a change in relative prices. In other words, inflation means that there is pressure for prices to rise in most markets in the economy.

Gross Domestic Product (GDP). Gross domestic product is a measure of the total production of goods and services of a country. Which is the value of all final goods and services produced within a country in a given year. GDP is normally used to represent the overall aggregate output of an economy (Forson and Janrattanagul, 2014). The higher the GDP of a country, the better the economic growth of that country.

In theory, interest rates and stock prices have a relationship negative (Tandelilin, 2010:342). This indicates that as interest rates increase, investors will move to financial securities investments so that stock prices decline and will result in stock returns. In other words, a decrease in interest rates will attract investors to invest in the capital market. This theory is supported by findings from Oshaibat and Majali (2016) and Asmara & Suarjaya (2018) which found that there is a negative relationship between interest rates and market returns. From the above statement, then the hypothesis can be taken as follows:

H₁ : Interest rate has a negative effect on market return

The increase in the money supply is accompanied by a decrease in the interest rate, so that it will encourage an increase in share prices coupled with the strengthening of the CSPI. Vice versa if there is a decrease in the money supply will be accompanied by an increase in the interest rate, so that it will cause stock prices to go down which is accompanied by a weakening CSPI (Samsul, 2006: 210). In other words, if the money supply in the community increases, the purchasing power of the people will increase, and investors will be more interested in investing in the capital market because stock returns will also increase. Based on the statement above, previous researchers also support the theory that has been explained. Thabet (2014), Singh (2015), Ali et al. (2016), Hasanah & Panjawa (2016), and Murthy et al. (2017) suggest that the money supply has a significant positive effect on the market return. From the above statement, then the hypothesis can be taken as follows:

H₂: Money supply has positive effect effect on market return.

According to Mishkin (2009:13), inflation is a price increase that occurs continuously which can affect individuals, entrepreneurs and the government. The ascendant in inflation rate is a negative sign for investor in capital market because company income and cost will follow the flow. It will leads to descendant in company profitability and also the stock market would be decreasing. in other words, high inflation will cause an increase in interest rates where investors will choose to switch to investment to the type of deposit so that stock returns will decrease. Based on the statement above, previous researchers also support the theory that has been explained. Nisha (2015), Nijam et al (2015), Manggala & Rani (2015), Abbas et al. (2014) show that inflation rate has a negative effect on market return. From the above statement, then the hypothesis can be taken as follows:

H₃ : Inflation rate has a negative effect on market return

Gross Domestic Product (GDP) is a vital factor to determine economy growth in a country. GDP growth indicates economic growth. The improved economic growth of a country will increase the purchasing power of the people. This event is an opportunity for the company to increase its sales profit. The increase in sales will make the company get a profit coupled with an increase in the company's stock price so that it will encourage the JCI to strengthen (Tandelilin, 2010:342). According to Nijam et al. (2015), Linck and Decourt (2016), and Laichena and Obwogi (2015) show that GDP has a positive significant toward market return. From the above statement, then the hypothesis can be taken as follows:

H₄ : GDP has a positive effect on market return

This research can be broadly illustrated in the research model as follows:

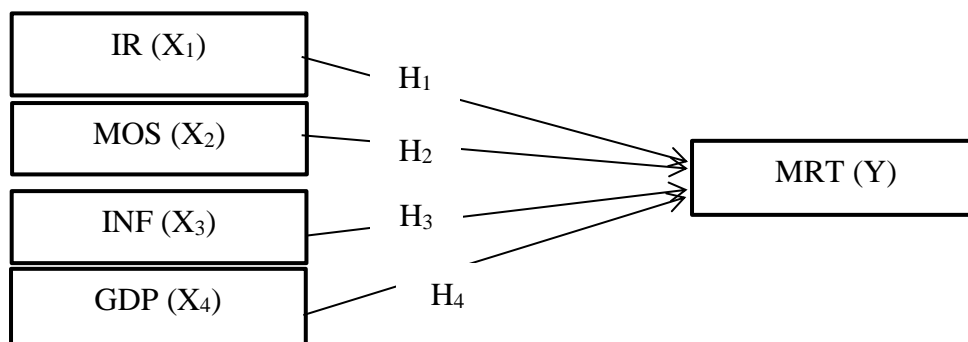


Figure 2: Research Model.

III. METHOD AND DATA

The population in this study is the returns on the capital markets during 2016-2019 which are listed in Morgan Stanley Capital International (MSCI), amounting to 83 countries. According to the data, there are 24 countries from developed markets, 27 countries from emerging markets, and 21 countries from frontier markets, and 11 countries from standalone markets. It is known there are 83 countries as population that has been selected in MSCI. To determine the number of samples in this study, we use Slovin formulations with a significant level of 10% because the data population has a specific or a homogenous population.

Secondary data on the dependent variable in this study is market returns from the combined stock index in 2016-2019 from 83 countries listed in Morgan Stanley Capital International and for macroeconomics as an independent variables taken from the official website of Yahoo Finance (www.yahooofinance.com) and Trading Economics (www.tradingeconomics.com).

Market return is the rate of return obtained from investment in all shares reflected in the stock price index (Winardy, 2019). The formula for market return as follow:

$$Rm = \frac{CSPI_t - CSPI_{t-1}}{CSPI_{t-1}}$$

Interest rates was defined as capital payments borrowed from other parties. Interest rates can affect company profits because interest is the cost and interest rates also affect the level of economic activity. Interest rates are also a negative signal to stock prices because rising interest rates will also cause investors to withdraw their investment from the capital market into investments in the form of savings or deposits (Bodie et al, 2017:375). The interest rate used in this study is the annual interest rate of each country in the study sample obtained from the trading economics or yahoo finance website.

In general money supply is the total money supply in circulation in the community. Money supply can include cash, coins, and balances held in current and savings accounts, as well as other money replacements (Bodie et al, 2017:378). The money supply measures the total amount of money in the economy at a particular time. It includes actual notes and coins and also any deposits which can be quickly converted into cash.

Inflation rate is the increasing of price level either goods and services in a certain period of time. Each country has a different level of inflation and also varies from one period to another (Bodie et al, 2017:374). The percentage for the unit of inflation in a period that is different from another period which exist in each country in the study sample. The formula is:

$$Inflation = \frac{CPI_t - CPI_{t-1}}{CPI_{t-1}} \times 100\%$$

Gross domestic product (GDP) is the total market value of goods and services produced in a country in a specific period of time (Bodie et al, 2017:374). The economic unit activity in the aggregate economy in long term period. This study want to find out what factors can affect the market return by the macroeconomic factors. This is the panel data equation for this research:

$$MRT_{it} = \alpha + \beta_1 IR_{it} + \beta_2 MOS_{it} + \beta_3 INF_{it} + \beta_4 GDP_{it} + \epsilon_{it}$$

Where:

MRT_{it} : Market Return for country i and period t

β₁IR_{it} : Interest Rate for country i and period t

β_4 MOS_{it} : Money Supply for country i and period t
 β_3 INF_{it} : InflationRate for country i and period t
 β_2 GDP_{it} : Annual Economic Growth Rate for country i and period t
 ϵ_{it} : Error Component in the observation for country i and period t

IV. RESULT AND DISCUSSION

The dependent variable in this study is market returns calculated from each stock market index during periods 2016-2019 from 83 countries listed as a population. The researchers obtained of the total sample of 45 countries in Morgan Stanley Capital International (www.msci.com). To determine the sample, it was chosen using simple random sampling and using Slovin formula. The macroeconomics factors as independent variables were taken from the official website of Yahoo Finance (www.yahoofinance.com) and Trading Economics (www.tradingeconomics.com).

Table 1. Samples of Research

No	Criteria	Number of Samples
1	Developed Market	13
2	Emerging Market	15
3	Frontier Market	11
4	Standalone Market	6
Total Samples		45

Descriptive statistical analysis aims to describe the minimum value, maximum value, average (mean), standard deviation of each variable. The results of descriptive statistical analysis can be seen in table 2.

Table 2. Descriptive Analysis Statistic

Variables	Mean	Min	Max	Std. Dev
Market Return	10142.39	45.00	101794.45	14939.38
Interest Rate	3.92	-.7500	17.29	4.17
Money Supply	640399.06	.00000	8106849.73	1571340.52
Inflation	441.06	2.79	7029.89	1206.43
GDP	2.79	-3.275	8.20	1.95

Based on Table 2, statistical results of the 5 research variables show that all variables have a total data number (N) of 180 data spread over 45 countries selected as samples in this study. From 180 research data, it can be seen that the market return variable has a minimum value at Lebanon in 2019 of 45.00 and a maximum value at Brazil in 2019 of 101794.45. The mean is 10142.39 and 14939.38 standard deviation means that the market return has a high level of data variation.

The interest rate variable has a minimum value at Switzerland in 2016 of -0.7500 and a maximum value at Ukraine in 2016 of 17.29. The mean is 3.92. The standard deviation of 4.17 means that the interest rate has a high level of data variation. The money supply variable has a minimum value at Botswana in 2019 of 0.00000 and a maximum value at France in 2019 of 8106849.73. The mean is 640399.06. The standard deviation of 1571340.52 means that the money supply has a high level of data variation.

The inflation rate has a minimum value at Botswana in 2019 of 2.79 and a maximum at Bulgaria in 2019 value of 7029.89. The mean is 441.06. The standard deviation is 1206.43, meaning inflation has a high level of data variation. The gross domestic product variable has a minimum value at Brazil in 2016 of -3,275 and a maximum value at Iceland in 2016 of 8.20. The mean is 2.79. The standard deviation is 1.95, meaning that the gross domestic product has a low level of data variation.

This study uses panel data regression analysis because the data used is a combination of cross-section data and time-series data. The model chosen is the Fixed Effect Model (FEM) test which is carried out to determine the effect of the independent variables on the dependent variable.

Table 3. Result of Panel Data Regression Test

Variables	Coefficient	t-Statistics	Prob. Value	Hypothesis
Constant	-7388.4	-2.6617	0.0087	
Interest Rate	-612.28	-2.5015	0.0136	Accepted
GDP	538.86	2.4316	0.0164	Accepted
Inflation	-39.380	-8.1960	0.0000	Accepted
Money Supply	0.0017	1.4097	0.1609	Rejected
R-squared	0.9786			
Adjusted R-squared	0.9708			
F-Statistics	125.02			
Prob (F-Statistics)	0.0000			

Based on table 3 a regression equation can be drawn up as follows:

$$\text{MRT}_{it} = -7388.405 - 612.2765\text{IR}_{it} + 0.001747\text{MOS}_{it} - 39.38035\text{INF}_{it} + 538.8606\text{GDP}_{it}$$

The adjusted R^2 level has an understanding of how much the contribution of the independent variables to the dependent variable. The higher the adjusted R^2 value, the greater the contribution of the independent variables to the dependent variable. Based on the results of statistical analysis, the coefficient of determination (adjusted R^2) in Table 3 is 0.9708 or 97%. This indicates that changes in the market return variable are explained by independent variables, namely 97% percent of interest rate, money supply, inflation, and gross domestic product, and the remaining 3% is explained by other variables not examined.

According to hypothesis testing result, the interest rate has negative effect on market return. The result was consistent with previous research by Asmara and Suarjaya (2018). They found there is a negative effect between interest rate and market return. This shows that an increase in interest rates will have an impact on investors who will invest both domestic and foreign investors. However, the results of this research was inconsistent with previous research by Winardy (2019) that found the interest rate has positive effect to market return because the increase in interest rate would attract foreigner investors to invest the stock at current countries so that the value of the domestic currency increases, which reflects directly on the market return on the international stock market.

An increased interest rate will cause an increase in the required interest rate on an investment in a stock. Besides that, the increased interest rate also causes investors to withdraw their investment in stocks and move them to other investments such as savings or time deposits. According to the result, fisher effect has occur in this research because when inflation increased the interest rate also rises in negative way for investors and it shows that fisher effect has a causal relationship which states that a 1% increase in the inflation will also result in an increase in the interest rate in the same percentage (1%). Thus, the fisher effect represents a one-for-one relationship between interest rate and inflation.

According to hypothesis testing result, the money supply has no significant effect on market return. The result was inconsistent with previous researchers by Forson et al. (2014), Singh (2015) and Ali et al. (2016) showed that money supply has a significant effect on market return. But in line with research by Ismail et al. (2016). They found the money supply does not have a significant effect on market return. This study shows that the money supply is not a sufficient mechanism for investors to find out about stock price movements.

The direction of the impact of money supply on the market return is not clear although many previous researchers provided evidence of a strong relationship between these two variables. The argument in this regard is that increased money supply increases inflation leading towards a decrease in real discount rate, that may also cause people to retain the real cash and boost spending expenses, people sell their shares and other security and causes decrease in prices of securities. Increased monetary growth and money supply, on the other hand, reduces the interest rate, that in turn reduces the cost of capital of the companies; and thus, profits of the companies are increased, that in turn had a positive impact of the market return, so the direction of impact of the money supply on the market return is not able to undetermined.

This possibility is also evident from the data collected by researchers. Where several samples of countries have an unstable money supply every year. This is what makes the money supply in the sample companies unable to provide effective information to investors so that it is also unable to influence the market return.

According to hypothesis testing result, the inflation has negative effect on market return. The result was consistent with previous researchers by Forson and Janrattangul (2014) and Nisha (2015). They found there is a negative effect between inflation and market return. This shows that an increase in inflation would affecting the investor because the company income and cost will follow the flow. It will leads to descendant in company profitability and also the market return would be decreasing. The results of this study was inconsistent with previous research by Laichena and Obwogi (2015) that found the inflation has a positive effect toward market return, this mean that increase in inflation resulted in increase in stock return.

The results of this study also in line with research conducted by Haque & Sarwar (2012) which argues that inflation is a factor that can affect the direction of movement of an investment, which means that inflation has a reciprocal relationship between risk and returns on stocks due to high inflation which will increase the price of goods and services in the market which can directly increase company costs in various aspects. If the cost of production exceeds the company's revenue it will result in a decrease in the profitability of a company. A decrease in profitability will reduce the attractiveness of investors so that investors are not interested in investing in the company. This results in a decrease in share prices and has an impact on reducing stock returns.

According to the result, fisher effect has occur in this research because when inflation increased the interest rate also rises in negative way for investors and it shows that fisher effect has a causal relationship which states that a 1% increase in the inflation will also result in an increase in the interest rate in the same percentage (1%). Thus, the fisher effect represents a one-for-one relationship between interest rate and inflation.

According to hypothesis testing result, the gross domestic product has positive effect on market return. The result was consistent with previous researchers by Nijam et al. (2015) and Linck and Decourt (2016). They

found there is a positive effect between gross domestic product and market return. This shows that an increase in gross domestic product could able to help investors to see the development of stock prices in a country, because gross domestic product shows the purchasing power of consumers in a country can increase demand for company products. However this result is inconsistent with previous research by Salamat et.al. (2016) that found of gross domestic product had a negative effect on market return because the higher level of production it will affect earnings and future business in the future.

This study is also in line with Winardy (2019) which states that the increasing gross domestic product in a country means that economic growth is developing due to various activities of companies that work optimally and generate profits so that dividend distribution from companies to investors will be smoother, which causes investors to be interested in buying shares at the company. With the large amount of investment that comes in, it causes the stock price to rise and also the return will increase which will benefit investors.

V. CONCLUSION

This study aims to test and obtain empirical evidence regarding what macroeconomic factors affect market returns in countries listed on Morgan Stanley Capitalization International for the period 2016-2019. Based on the results of the analysis and discussion, several things can be concluded as follows:

1. Interest rate has a negative effect on market return. These results indicate that the higher the value of the interest rate in a country, the lower the level of investment, because investors tend to put their shares in savings or deposits and this will reduce the level of market return.
2. Money supply has no effect on market return. These results indicate that the level of money supply in a country has no effect on market returns.
3. Inflation has a negative effect on market return. These results indicate that the higher inflation in a country, the lower the level of investment because it can reduce company profitability and reduce investor interest in investing at stock market.
4. Gross domestic product has a positive effect on market return. These results indicate that the higher the level of economic growth in a country, it can increase investor interest in investing in a country's capital market. Based on the results of the research and discussion that has been described previously, the implications that can be given by researchers as material for consideration for future decision making are as follows:
 1. Prospective investors who will invest in the capital market must pay attention to macroeconomic factors such as interest rates, inflation, and gross domestic product that have an influence on market returns.
 2. Investors should also pay attention to other macroeconomic factors apart from the research that has been presented such as Unemployment Rate, Exchange Rate, Oil price, etc.
 3. Academics can carry out some further research related to this topic, because there are still many other factors that can influence future of market return for example financial ratio such as liquidity ratio, activity ratio, solvability ratio, and investment ratio.

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