

## **ABSTRACT**

*In investment world, risk and return are two important things. There are positive correlation between risk and return. Total of risk is a volatility and measured by standard deviation. It is important to the investors to understand stock volatility, because it will affects investor's return. There are various factors affecting volatility, macroeconomics and commodities price are two of them. This study aim to examine the effect of macroeconomic factors which are BI rate, inflation measured by Consumer Price Index, exchange rate. Also, commodities price which are oil and gold price on volatility of Jakarta Composite Index (JCI) and Jakarta Islamic Index (JII).*

*This study specifically using ARCH-GARCH which is the most appropriate method to analyze stock volatility and using regression analysis to examine the relationship between macroeconomic factors, commodities price, and volatility of JCI and JII. This study using monthly data from January 2008 until December 2015*

*The finding of this study showed that there are significant negatif effect of exchange rate, oil and gold price on volatility of Jakarta Composite Index and Jakarta Islamic Index. Moreover, there are negative significant effect of exchange rate and oil price on volatility of Jakarta Islamic Index, and positive effect of gold price on volatility of Jakarta Islamic Index. Meanwhile, inflation and BI rate did not affecting on volatility of Jakarta Composite Index and Jakarta Islamic Index.*

*Keywords : commodities price, islamic stock index, composite index, macroeconomics factors, volatility*