

ABSTRACT

The integration between stock markets is an important factor for investors making international investments. An investor who makes international investments means that the investor is diversifying into various types of assets that are expected to have good risk and portfolio returns. COVID-19 which started in Wuhan, China at the end of December 2019 not only affects the health condition of the public globally but also erodes the global economy. This condition is important for investors who diversify internationally.

This study aims to analyze the presence or absence of cointegration between the Chinese stock exchange and the stock exchanges of Indonesia, Singapore, Malaysia, Thailand and the Philippines. Cointegration aims to determine the long-term balance relationship between stock exchanges which are the object of research.

The phenomenon in this research is examined using a cointegration approach so that it can analyze stock exchange integration. This study uses daily closing stock price index data in the period January 1, 2013 to December 31, 2020. The data analysis method is carried out by using the cointegration test using the Augmented Dickey-Fuller Unit Test (ADF) and the Engle-Granger Cointegration Test.

The results of this study indicate that the Chinese Stock Exchange (SSECI) is not cointegrated with the Indonesian, Malaysian, Thai and Philippine Stock Exchanges, and only co-integrated with the Singapore Stock Exchange. SSECI is co-integrated with the Singapore Stock Exchange at a significance level of 5% and 10%, also co-integrated with the Malaysia Stock Exchange at a significance level of 10%. As for the Indonesia, Thailand and the Philippines Stock Exchanges, the Chinese Stock Exchanges are not co-integrated at the 1%, 5% and 10% levels.

Based on the results of this study, it is hoped that it can become a reference for interested parties to find out the long-term relationship between these stock exchanges, especially to adjust to the conditions provided by COVID-19. The author suggests that this research can be developed so that it does not only examine the cointegration of the China Stock Exchange with ASEAN 5 but also between ASEAN 5 countries themselves. Researchers also suggest to do a more in-depth analysis of the reasons why a stock market can or cannot be co-integrated with other stock exchanges so that the results of this study can be even better.

Keywords: *Cointegration, Augmented Dickey-Fuller (ADF), Engle-Granger Cointegration Test, China Stock Exchange, ASEAN Stock Exchange, International Diversification, COVID-19*