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The Effect of Foreign Buy and the Dow Jones Index on Stocks Prices of Animal Feed Industry at Kompas 100

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Abstract

This research aims to determine whether foreign buy and the Dow Jones index have an effect on stock prices. This study uses a quantitative approach. The research scope is the stocks of companies in the animal feed industry which are listed on the Kompas 100 Index on the Indonesia Stock Exchange. Data in the form of secondary data obtained from the Indonesia Stock Exchange through www.idx.co.id. Eviews 9 software is used to select the research model, classic assumption test, multiple correlation test, multiple linear regression analysis, hypothesis t test and determination coefficient test. Based on the results of this study, it was found that foreign buy had an effect on stock prices, while the Dow Jones Index had no effect on stock prices.

Keywords: Foreign Buy, Dow Jones Index, Stocks Prices.

1. Introduction

Better understanding of the economy among individual economic actors increases the awareness of economic actors to invest. This increases the need for a means to invest. In essence, investment is an activity to increase funds in one or more types of assets for a certain period of time, with the aim of obtaining maximum and economic benefits. Attractive income potential in the form of dividends, interest or capital gains makes the capital market a very attractive alternative for investors in investing. Coupled with the Covid-19 pandemic that has hit all parts of the world, including Indonesia, which limits individual activities in work and in society, encouraging the emergence of many individual investors who try to take advantage of the capital market as an alternative to invest to develop their assets. Investing in the capital market does not require outside activities, nor does it require a lot of direct interaction. All investing activities can be done online by utilizing applications provided by securities companies as intermediaries in transactions in the capital market. On the other hand, issuers with limited capital also find it difficult to develop their business. As a means of obtaining funds for development, the capital market is also attractive to company owners (issuers). The capital market plays a role in providing a long-term alternative source of funds to companies and can reduce dependence on investment financing from bank credit, both domestic and foreign. The government understands the important role of the capital market, especially for companies to develop their companies. This encourages the government to continue to develop facilities in the capital market to encourage investment development and business growth in Indonesia.

Investments expecting income in the form of dividends have recently become less attractive. Expecting dividend income tends to put investors into investing for a longer period and there is a risk

that dividends are not distributed according to the decisions of the general meeting of shareholders. This encourages investors to invest with capital gains targets which tend to offer the potential for faster and better returns even though they provide a higher level of risk. Investments with weekly or even daily yield targets are an attractive alternative. Chasing capital gains in a daily or weekly period leads investors to become traders, not pure investors.

Predicting stock prices for investors is the most important thing that must be done before making a decision to buy or sell shares in the stock market. Fundamental and technical analysis approaches are used to improve accuracy in predicting stock prices. There are several views that the Covid-19 pandemic affects the pattern of public spending. The tendency of the people to hold their cash and focus on using it on the consumption of staples, in this case the priority is on food. Food independence has also become an issue that has recently received special attention. This change invites curiosity whether investors' investment choices also lead to the agricultural industry or industries that support agriculture. Likewise, in the capital market, it is interesting to know whether issuers in the agricultural sector have been positively affected by the Covid-19 pandemic, although indirectly. Issuers with good liquidity that are included in the Kompas 100 index, such as PT Charoen Pokphand Indonesia Tbk (CPIN), Japfa Comfeed Indonesia (JPFA) and Malindo Feedmill (MAIN) are interesting options for further research on their share price movements.

In many studies, stock price movements in a country are influenced by stock price movements in other countries. Economic changes in other parts of the world often affect a country's economy. The Dow Jones Index is one of the three main indexes in the United States (New York Stock Exchange). Economic growth in developed countries basically has a relationship with the economy of developing countries. The United States economy is dominant in influencing the economies of other countries, especially developing countries. Cha & Cheung's (1998) research, found that although most of the unexpected variations in stock returns in emerging Asian markets were due to domestic shocks, the impact of the US and Japan was greater in Hong Kong and Singapore than in Korea and Taiwan. The United States is one of the export destination countries for Indonesia, if its economic growth has increased, it can boost Indonesia's economic growth either through export activities, direct investment, or through investment in the capital market in Indonesia. The linkages between one exchange and another began with the open capital market regulations where foreign investors began to control 100 percent of the shares of IDX companies. According to Mansur (2005), there is a linkage between stock exchanges globally because foreign investors invest in stock exchanges around the world so that the world's exchanges have global linkages. According to Mansur (2005: 204) "the Indonesian capital market through the Jakarta Stock Exchange is an inseparable part of global stock exchange activities, because stock exchanges located close to each other often have the same investors". It is interesting to know whether the Dow Jones index affects the stock price movements of issuers on the Indonesian stock exchange, especially in the agricultural industry.

Recent studies that discuss the relationship between the volume of foreign buy and the Dow Jones index on the stock price of companies, especially in the agricultural industry, are unlikely to exist. Research by Mayzan & Sulasmiyati (2018) and Sudarsana (2014), partial test results show that the Dow Jones Index has a positive influence on the Composite Stock Price Index, this means that an increase in the Dow Jones index can increase the value of the Composite Stock Price Index. Similar results were also stated by Jayanti (2014) who stated that the Dow Jones index partially affects the Composite Stock Price Index.

The trading volume of a stock is still too broad to be used as an indicator in making decisions to buy or sell shares. On a smaller scale, the volume of foreign buy often becomes a barometer for investors and traders in making transaction decisions in the capital market. It is interesting to know whether any changes in the volume of foreign buy also affect the stock price movements of issuers

with the agricultural label. This study uses various measures of foreign ownership and investigates the impact of foreign ownership on firm value. Several studies have found that the traditional measure and the free-floating measure of foreign ownership have a positive influence on firm value. Several studies have also found that foreign institutional ownership of Australian companies has a positive influence on firm value. The results are robust for a variety of econometric estimation techniques. Some of the research results have implications for investors and corporate financial policies.

Mishra's (2014) research studies the returns on stocks with high or low trading volume. In contrast to previous literature, this study finds that both high volume return premiums and discount effects exist in the Chinese market. However, the dominance of low volume return premiums was short lived, suggesting that the Chinese stock market is moving from an underdeveloped market to an advanced one. Research by Mayzan & Sulasmiyati (2018) and Nurbaeti (2010), partial test results show that the Net Foreign Fund has a negative influence on the Composite Stock Price Index. A different result was stated by Zaretta (2015) which stated that net foreign funds were not significant to the Jakarta Composite Index (JCI). The negative relationship between Net Foreign Fund and the JCI shows the behavior of foreign investors who tend to follow the negative feedback trader theory which states that investors will buy securities when prices are low or fall and will sell when prices are high or rising. According to Neal in Mujayana (2013), Positive Feedback Trading is the action of foreign market players to buy superior stocks when they are winners (bullish) and sell superior stocks when they are losers (bearish). And the opposite condition (negative feedback trading) makes the market index down. According to Frensidy (2009), negative feedback means buying stocks that have recently fallen in price and selling stocks that have recently risen. Wang (2007), discusses how foreign ownership and participation affect the volatility of individual stocks in Indonesia. After controlling for size and turnover, it was found that stocks with high foreign ownership had greater volatility persistence and led other stocks in daily volatility changes. This finding holds true during and after the Asian financial crisis, and is consistent with domestic investors mimicking foreign trade.

The objectives of this study are:

1. To find out whether domestic buying volume shows a significant effect on Compass 100 indexed share prices of agricultural companies in the Indonesian stock exchange.
2. To find out whether Dow Jones Index shows a significant effect on Compass 100 indexed share prices of agricultural companies in the Indonesian stock exchange.

2. Literature Review

Stocks Prices

Shares are securities issued by a company in the form of a limited liability company or Tbk (Open) which is called an issuer which states that the owner of the shares is the owner of a part of the company (Sundjaja & Berlian, 2003). According to Darmadji and Fakhrudin (2012), shares in general can be divided into two, namely common stock, which is the share that puts its owner at the end of dividend distribution and the right to company assets if the company is liquidated (does not have special rights) and preferred stock, which is a stock that has the combined characteristics of bonds and common stock, because it earns fixed income such as interest on bonds but also may not produce the results that investors want if the share value decreases. Ordinary shares are shares issued by a company in only one class (Jogiyanto, 2003: 67). Common stockholders are the owners of the company who represent the management to carry out the company's operations.

A share has a value or a price. According to Rinati and Budiman (2009) share prices can be divided into three, namely (1) nominal price, namely the price stated in the share certificate set by the issuer to assess each issued share, (2) the initial price, which is the price at the time of price. these

shares are recorded on the Indonesia Stock Exchange (Initial Public Offering) and (3) the market price is the selling price of one investor with another.

Foreign Buy

Tandelilin (2010) states that empirically macroeconomic factors have been shown to have an influence on capital market conditions in several countries. This also happened in Indonesia. A lot of macroeconomic information affects the price movements of the majority of shares on the Indonesian stock exchange. Indirect foreign investment or portfolio investment is a form of investment which consists of controlling shares (Saidah, 2006). Every country, especially emerging market countries, really needs a net flow of positive foreign funds in developing their country's economy.

The growth in the capital account in Indonesia was driven by the flow of foreign investment funds into Indonesia. The amount of net capital inflow will have an impact on increasing international reserves along with appreciation of the domestic currency exchange rate and vice versa if the net capital outflow is large it will worsen the balance of payments and also result in depreciation of the domestic currency exchange rate (Perwitasari 2008: 14). On the one hand, foreign ownership in the Indonesian capital market is positive because it indicates the confidence of foreign investors to invest their funds in Indonesia and expect a large return. However, on the other hand, it poses a large capital outflow threat in a short period of time. Unlike direct investment funds, foreign investment funds entering the Indonesian capital market are included in the indirect investment category. Foreign investment funds can enter the Indonesian capital market quickly and easily but can leave Indonesia quickly and easily. Capital outflows, if transferred in large numbers from Indonesia to other countries, will disrupt the movement of the Jakarta Composite Index (IHSG). This assumption is reinforced by Frensidy's research (2009: 1-2), capital inflow will eventually cause the rupiah to strengthen or the US dollar exchange rate in rupiah to decline and some of the funds will be invested in stock portfolios so that it has a positive effect.

One of the driving indicators for the JCI is net foreign funds. The inflow and outflow of foreign transactions will be an opportunity and a threat to investors as a whole because foreign investor optimism also affects local investors. This is in line with Frensidy's (2009: 2) statement, namely that foreign investors 'optimism is marked by rampant buying so that it provides a positive sentiment, on the other hand, negative sentiment on the capital market will be awakened when foreign investors' sell-off is greater than their buying. A case of large capital outflow globally occurred in 2008 which resulted in many countries experiencing a crisis, including Indonesia. So good macro and micro conditions are needed in order for an increase in net purchasing by foreign investors to the JCI. According to Nurbaeti (2010: 19), Net Foreign Fund (net foreign fund transaction flow) is one of the requirements for economic growth, where the increase in economic growth is usually driven by the inflow of foreign funding, capital inflow and capital outflow. The economy of a country can be influenced by foreigners either through direct investment or indirect investment.

On a smaller scale the industrial stock price index or the price of a share on the Indonesian stock exchange, a sizable foreign purchase of a stock or group of shares in the same industry is often sufficient to be an indicator of the increase in the price of these shares. Foreign and local investors always pay attention to macro and micro sentiments so that investment can easily shift from investing in stocks on the stock market to other instruments.

Dow Jones Index

The Dow Jones Index (DJI) is a stock market index in the United States founded on May 26, 1896 by the editor of The Wall Street Journal and founder of Dow Jones & Company, Charles Dow. It is one of the oldest and major indexes in the United States (New York Stock Exchange). Two other

major stock indexes are the Nasdaq Composite and the Standard & Poor's 500. A total of 20 industrial company stocks were introduced at the start of the Dow Jones Index. The 30 largest industrial stocks (blue chip) in the United States that had gone public were added to the Dow Jones stock index in 1928. The company's ability, profit growth and economic activity were the main bases in selecting these companies to enter the Dow Jones Index. The Dow Jones Index is the average value of 30 certain industrial companies, known as the Blue Chip Stock, which are traded on the New York Stock Exchange (NYSE), this index is a reflection of the performance of stocks that have high quality and reputation. The Dow Jones Index is also commonly used to describe the global stock market.

According to Sunariyah (2006), the United States as one of Indonesia's export destination countries, the economic growth of the United States can encourage Indonesia's economic growth through export activities and capital inflows either through the capital market or direct investment. So monitoring the movement of the Dow Jones Index can be one way to read the movement of the United States economy which in the end is expected to be used as an indicator to predict economic movements in Indonesia.

Framework

The framework of this research is as follows:

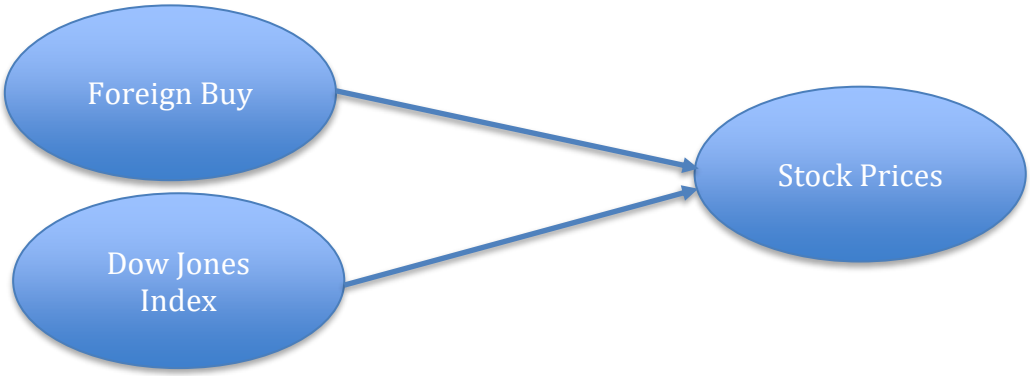

Figure 1. Framework

The Hypothesis of this research is as follows :

- H1: Foreign Buy shows a significant effect on Compass 100 indexed share prices of agricultural companies in the Indonesian stock exchange.
- H2: Dow Jones Index shows a significant effect on Compass 100 indexed share prices of agricultural companies in the Indonesian stock exchange

3. Methodology

This research is a quantitative research. The data used is secondary data taken from www.idx.co.id and https://finance.yahoo.com. Data is panel data with daily time series. Stock price and foreign buy data are daily data from animal feed companies on the Kompas 100 index on the Indonesian stock exchange, namely Charoen Pokphand Indonesia Tbk (CPIN), Japfa Comfeed Indonesia (JPFA) and Malindo Feedmill Tbk (MAIN). Share price data taken is the market price at the daily closing from April 1, 2020 to May 29, 2020. Data taken from foreign purchases is data from April 1, 2020 to May 29, 2020. For the Dow Jones Index data is taken from

the position The closing price of the Dow Jones Index in Indonesia from April 1, 2020 to May 29, 2020. The feasibility of the model is selected from three options, namely the Fixed Effect Model, the Random Effect Model and the Common Effect Model, each of which is tested by the Chow test, Hausman test and the Lagrange Multiplier (LM). The eligibility of the selected model was also seen with the F test. The research data was tested using the classical assumption test, especially the heteroscedasticity test, the multicollinearity test and the autocorrelation test. Multiple correlation tests and multiple regression equations are used to see the relationship between the independent variables and the dependent variable in this study. Hypothesis t test is used to answer the research questions. The coefficient of determination test is used to see how much the contribution of the independent variables in this study in explaining the relationship with the dependent variable. Data processing and testing in this study were assisted by the Eviews 9 and Microsoft Excel program.

4. Result and Discussion

Model Selection

We select the best model first, whether using the Fixed Effect Model (FEM), the Random Effect Model (REM) or the Common Effect Model (CEM). For that we performed the Chow test, Hausman test and the Lagrange Multiplier (LM) test.

Fixed Effect Model (FEM)

The following is an estimate using the Fixed Effect Model (FEM):

Table 1. Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.952874	4.196828	2.133248	0.0353
D(FB)	5.59E-06	2.63E-06	2.123823	0.0361
D(DJI)	-0.001320	0.007717	-0.171043	0.8645
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-squared	0.051679	Mean dependent var		8.390803
Adjusted R-squared	0.014851	S.D. dependent var		99.22277
S.E. of regression	98.67573	Sum squared resid		1002901.
F-statistic	1.403266	Durbin-Watson stat		2.129365
Prob(F-statistic)	0.238149			
Unweighted Statistics				
R-squared	0.094658	Mean dependent var		10.07407
Sum squared resid	1307726.	Durbin-Watson stat		1.856841

The Fixed Effect Model (FEM) above will be tested with the Likelihood Ratio Test (Chow Test) provided that if the Cross-section Probability F> 0.05 then the Common Effect Model (CEM) is accepted, but if the Cross-section Probability F <0.05 then the Fixed Effect Model (FEM) received.

Here are the results of the Chow test:

Table 2. Chow Test (Likelihood Ratio Test) Result

Effects Test	**Statistic**	**d.f.**	**Prob.**
Cross-section F	0.579683	(2,103)	0.5619

Cross-section fixed effects test equation:
Dependent Variable: D(SP)
Method: Panel EGLS (Cross-section weights)
Sample (adjusted): 4/02/2020 5/29/2020
Periods included: 36
Cross-sections included: 3
Total panel (balanced) observations: 108
Use pre-specified GLS weights

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.191769	4.142402	0.529106	0.5978
D(FB)	5.51E-06	2.61E-06	2.111256	0.0371
D(DJI)	-0.001321	0.007686	-0.171854	0.8639

Weighted Statistics

R-squared	0.041005	Mean dependent var	8.390803
Adjusted R-squared	0.022739	S.D. dependent var	99.22277
S.E. of regression	98.27993	Sum squared resid	1014189.
F-statistic	2.244821	Durbin-Watson stat	2.105661
Prob(F-statistic)	0.111008		

Unweighted Statistics

R-squared	0.077440	Mean dependent var	10.07407
Sum squared resid	1332596.	Durbin-Watson stat	1.824024

The Chow test results obtained are Cross-section F = 0.5619 > 0.05, then the Common Effect Model (CEM) is accepted.

Random Effect Model (REM)

The following is an estimate using the Random Effect Model (REM):

Table 3. Random Effect Model

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	5.675145	13.22117	0.429247	0.6686
D(FB)	1.74E-05	4.01E-06	4.332519	0.0000
D(DJI)	0.005409	0.019669	0.275025	0.7838

Effects Specification

			S.D.	Rho
Cross-section random			13.62302	0.0156
Idiosyncratic random			108.1945	0.9844
Weighted Statistics				
R-squared	0.152938	Mean dependent var		8.038091
Adjusted R-squared	0.136804	S.D. dependent var		115.9181
S.E. of regression	107.6976	Sum squared resid		1217872.
F-statistic	9.478941	Durbin-Watson stat		1.888245
Prob(F-statistic)	0.000164			
Unweighted Statistics				
R-squared	0.152065	Mean dependent var		10.07407
Sum squared resid	1224804.	Durbin-Watson stat		1.877558

The Random Effect Model (REM) above will be tested with the Hausman Test provided that if the probability of random cross-section > 0.05 is accepted then the Random Effect Model (REM) is accepted, but if the probability of random Cross-section is < 0.05 then the Fixed Effect Model (FEM) is accepted.

The following are the results of the Hausman Test:

Table 4. Hausman Test Result

Test cross-section random effects

Test Summary		**Chi-Sq. Statistic**	**Chi-Sq. d.f.**	**Prob.**
Cross-section random		0.037735	2	0.9813
Cross-section random effects test comparisons:				
Variable	Fixed	Random	Var(Diff.)	Prob.
D(FB)	0.000017	0.000017	0.000000	0.8460
D(DJI)	0.005417	0.005409	0.000000	0.8460

Cross-section random effects test equation:
Dependent Variable: D(SP)
Method: Panel Least Squares
Sample (adjusted): 4/02/2020 5/29/2020
Periods included: 36
Cross-sections included: 3
Total panel (balanced) observations: 108

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	5.664757	10.62732	0.533037	0.5952
D(FB)	1.74E-05	4.01E-06	4.336629	0.0000
D(DJI)	0.005417	0.019669	0.275420	0.7835
Effects Specification				
Cross-section fixed (dummy variables)				

R-squared	0.165274	Mean dependent var	10.07407
Adjusted R-squared	0.132858	S.D. dependent var	116.1877
S.E. of regression	108.1945	Akaike info criterion	12.25093
Sum squared resid	1205724.	Schwarz criterion	12.37510
Log likelihood	-656.5502	Hannan-Quinn criter.	12.30128
F-statistic	5.098455	Durbin-Watson stat	1.907575
Prob(F-statistic)	0.000866		

The probability of random cross-section = 0.9813 > 0.05 then the Random Effect Model (REM) is accepted.

Common Effect Model (CEM)

The following is an estimate using the Common Effect Model (CEM):

Table 5. Common Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.681045	10.60836	0.535525	0.5934
D(FB)	1.73E-05	4.00E-06	4.337835	0.0000
D(DJI)	0.005405	0.019634	0.275286	0.7836
R-squared	0.152065	Mean dependent var		10.07407
Adjusted R-squared	0.135914	S.D. dependent var		116.1877
S.E. of regression	108.0037	Akaike info criterion		12.22959
Sum squared resid	1224804.	Schwarz criterion		12.30410
Log likelihood	-657.3980	Hannan-Quinn criter.		12.25980
F-statistic	9.415141	Durbin-Watson stat		1.877389
Prob(F-statistic)	0.000173			

The Common Effect Model (CEM) above will be tested with the Lagrange Multiplier Test provided that if the Breusch-Pagan Both is > 0.05 then the Common Effect Model (CEM) is accepted, but if the Breusch-Pagan Both < 0.05 then the Random Effect Model (REM) is accepted.

Following are the results of the Lagrange Multiplier (LM) Test:

Table 6. Lagrange Multiplier (LM) Test Result

Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.297741	0.630516	0.928257
	(0.5853)	(0.4272)	(0.3353)
Honda	-0.545657	0.794050	0.175641
	--	(0.2136)	(0.4303)

King-Wu	-0.545657	0.794050	-0.346091
	--	(0.2136)	--
Standardized Honda	-0.183804	1.027238	-4.532587
	--	(0.1522)	--
Standardized King-Wu	-0.183804	1.027238	-2.835917
	--	(0.1522)	--
Gourierioux, et al.*	--	--	0.630516
			(>= 0.10)

*Mixed chi-square asymptotic critical values:

1%	7.289
5%	4.321
10%	2.952

Breusch-Pagan Both = 0.3353> 0.05 then the Common Effect Model (CEM) is accepted.

After the three models were tested respectively with the Chow Test, Hausman Test and Lagrange Multiplier Test, the Common Effect Model (CEM) was accepted based on two tests, namely the Chow Test and the Lagrange Multiplier (LM) Test, the model chosen was the Common Effect Model (CEM). The Common Effect Model (CEM) also has a probability (F-statistic) = 0.000173<0.05, this means that the model is suitable for use. So then the estimation with the Common Effect Model (Table 4.5) will be used in this study.

Classic Assumption Test

We will perform classical assumption tests including Normality Test, Heteroscedasticity Test, Multicollinearity Test and Autocorrelation Test. For the normality test, in this study we will take the assumption of the central limit theorem ("central limit theorem") where this theorem states that the sampling distribution curve (for a sample size of 30 or more) will center on the population parameter value and will have all the properties normal distribution. "

The results of the heteroscedasticity test can be seen in the following table:

Table 7. Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	72.34282	7.735895	9.351577	0.0000
D(FB)	4.00E-06	2.91E-06	1.372918	0.1727
D(DJI)	-0.021373	0.014318	-1.492712	0.1385

R-squared	0.039072	Mean dependent var	71.16794
Adjusted R-squared	0.020769	S.D. dependent var	79.58992
S.E. of regression	78.75910	Akaike info criterion	11.59805
Sum squared resid	651314.5	Schwarz criterion	11.67255
Log likelihood	-623.2947	Hannan-Quinn criter.	11.62826
F-statistic	2.134682	Durbin-Watson stat	1.083238

Prob(F-statistic)	0.123388

In table 7 it can be seen that the Foreign Buy (FB) variable has a probability of 0.1727>0.05 and the Dow Jones Index (DJI) variable has a probability of 0.1385 > 0.05, so in this research data there is no heteroscedasticity problem.

Table 8. Multicollinearity Test

	D(FB)	D(DJI)
D(FB)	1.000000	-0.036722
D(DJI)	-0.036722	1.000000

In table 8 it can be seen that the correlation value between the independent variables of Foreign Buy (FB) and the Dow Jones Index (DJI) is 0.036722 < 0.90, this means that there is no multicollinearity in this research data.

The results of the autocorrelation test can be seen in the Durbin-Watson value in the Common Effect Model estimation table (table 4.5). In the estimation table, the Durbin-Watson value is 1.8774. With the number of independent variables = 2 (k = 2) and 108 observations (n=108), the resulting dL = 1.6488 and dU = 1.7241, so the value 4-dU = 2.2759. With the condition that passes the autocorrelation test is dU <dw < 4-dU, it is found that dw=1.8774>1.7241 and dw = 1.8774 < 2.2759 so that 1.7241<1.8774<2.2759 means that the conditions dU<dw<4-dU are met, so the dw value formed from the model selected no autocorrelation.

Multiple Linear Regression Analysis

In the Common Effect Model estimation (table 4.5), it is known that R-Squared = 0.152065, then the value of R = √0.152065 = 0.389955, this means that the relationship of the independent variable to the dependent variable is weak and unidirectional. This relationship will be expressed in the following multiple linear regression equation:

$$(SP) = 5.681045 + 0.0000173(FB) + 0.005405(DJI)$$

The constant value (C) of 5.681045 is constant for each change in Foreign Buy and/or the Dow Jones Index. The value of the foreign buy coefficient of 0.0000173 shows a positive relationship between foreign buy and stock prices, meaning that every increase of one foreign buy unit will increase the value of the stock price by 0.0000173, assuming the Dow Jones Index variable regression coefficient is zero. The Dow Jones Index coefficient value of 0.005405 shows a positive relationship between the Dow Jones Index and stock prices, meaning that every one increase in the Dow Jones Index will increase the value of the stock price by 0.005405 assuming the variable regression coefficient of the stock price is zero.

Hypothesis Test T

In the Common Effect Model estimation (table 4.5), it is known that the probability of the variable FB = 0.0000 < 0.05, this means that foreign buy has an effect on the stock prices of companies in the agricultural industry which are listed on the Kompas 100 index of the Indonesia Stock Exchange. So the increase in the volume of foreign purchases is predicted to increase the share prices of companies in the agricultural industry on the Kompas 100 index of the Indonesian stock exchange. The results of this study are in line with the research of Wang (2007), Frensidy (2009), Mayzan &

Sulasmiyati (2018) and Nurbaeti (2010) but different from the results of research proposed by Zaretta (2015).

Meanwhile, the probability of the DJI variable = 0.7836, this means that the Dow Jones Index has no effect on the stock prices of companies in the agricultural industry on the Kompas 100 index on the Indonesian stock exchange. So the increase in the Dow Jones index cannot be used as an indicator to predict the stock prices of companies in the agricultural industry on the Kompas 100 index of the Indonesian stock exchange. The results of this study are different from the results of research suggested by Mayzan & Sulasmiyati (2018), Jayanti (2014) and Sudarsana (2014).

Determination Coefficient Test

In the Common Effect Model estimation (table 4.5) it is known that Adjusted R-Squared = 0.135914, then the coefficient of determination = 0.135914 x 100% = 13.59%. This means that Foreign Buy and Dow Jones Index have a contribution of 13.59% in explaining the relationship with stock prices, the rest is not examined in this study. This contribution is not large, so it opens up opportunities for further research by adding other variables to increase the contribution of the independent variables to the stock prices of issuers in the agricultural industry indexed by Kompas 100 on the Indonesian stock exchange.

5. Conclusion

The conclusions drawn from this study are foreign Buy has an effect on Compass 100 indexed share prices of agricultural companies in the Indonesian stock exchange, this is evidenced by the t hypothesis test with a significance of 0.0000 < 0.05. The Dow Jones Index has no effect on Compass 100 indexed share prices of agricultural companies in the Indonesian stock exchange, this is evidenced by the t hypothesis test with a significance of 0.7836 > 0.05.

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