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Research Paper

The US-China Trade War in Macroeconomic Studies of the Indonesian Sharia Stock Index

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ABSTRACT

A number of studies have been the witness of pros and cons about whether the US-China trade war affected the world's macroeconomics. This study aims to analyze the effect of macroeconomic variables on the Indonesian Sharia Stock Index (ISSI) during the trade war period between the United States and China. The research's assumption is delved from the occurrence of a trade war between two countries with the largest economic valuations in the world can disrupt the world economy including investment. The urgency of this research is to measure the impact of the trade war on the Indonesian sharia stock index which is one of the factors of economic growth. The analytical method used in this study is the Vector Error Correction Model (VECM) to examine the long-term and short-term impacts. The results of this study indicate that in the short term the BI Rate, FED Rate, USD Exchange Rate, CNY Exchange Rate, World Gold Price, World Oil Price, Exports, and Imports have no effect on the Indonesian Sharia Stock Index (ISSI). The long-term results show that the BI Rate, CNY Rate, World Gold Price, World Oil Price, and Imports have a negative effect on the Indonesian Sharia Stock Index (ISSI), while the FED Rate, USD Rate, and Exports have a positive effect on the Indonesian Sharia Stock Index (ISSI). Based on these results the government is expected to tighten fiscal and monetary policies so that in the future if something similar happens, the Indonesian Sharia Stock Index (ISSI) remains on the right track.

Introduction

Today, international trade is increasingly unstable after the trade conflict between the United States and China. The trade dispute between the two countries began when the American president Donald Trump conveyed the imposition of import duties on products originating from China since March 2018 of US $ 50 billion which refers to the United States law Article 301 of 1974 concerning trade (Gunawan & Arfah , 2019) . The trade war was based on the state of America, which for almost a decade had a continuous trade balance deficit, and decided to take a policy of increasing import tariffs on aluminum, steel, and several other products to help reduce their deficit. However, China as the main importer of these products to America objected, where in the end China joined in raising tariffs on imports of agricultural products, which are the main imported products of the United States.

The United States has the courage to initiate a trade war with China because it can reduce the trade deficit to US$ 50 billion, and increase domestic steel and aluminum production. However, of course, China's imports of US goods have also drastically reduced so that the two countries will experience a reduced level of welfare due to allocation efficiency which has an impact on increasing welfare for developing countries. This is due to the diversion of American and Chinese trade opponents to other countries (Carvalho et al., 2019) .

Studies conducted on ASEAN countries state that even though developing countries do not have a significant place in trade with the United States, the tariffs set by these countries will have an impact on the value of Indonesia's trade (Teimouri & Raeissadat, 2019). The same applies to trade between Indonesia and China, such as the research conducted by Pangestu (2019) that China is an important trading partner for ASEAN countries, especially Indonesia, so that the increase in tariffs will have a significant impact on the Indonesian economy.

Not only does affect the international economy, but the trade war between the two major countries, the United States and China, also has an impact on other fields such as investment. The capital market is one of the parameters for economic prosperity, because the dynamic stock market is one of the factors that influence the economic growth of a country. Investment activities can enable the community to continuously increase their income so that it can have an impact on national economic growth and increase the level of community prosperity. In addition, investment activities can increase economic activity and job opportunities. When viewed from its function, investment activities have an important function. First, investment is a component of aggregate expenditures, where an increase in investment can have an impact on increasing aggregate demand and national income. Third, additional capital in investment will have an effect on increasing production capacity (Sukirno, 2003). Nopirin (2000) expressed a similar opinion, where economic growth needs to be balanced with increasing national scale production. The increase in national production is due to national accumulation which is further used for investment.

Sharia shares are part of the investment in the form of shares. Sharia stocks were introduced in Indonesia in 2000 since the establishment of the Jakarta Islamic Index (JII). Then in May 2011 it grew until the Indonesian Sharia Stock Index (ISSI) was launched as the second Islamic stock after JII. In contrast to the Jakarta Islamic Index JII, which only consists of 30 liquid Islamic stock issuers, ISSI is a sharia stock index that has members of all sharia shares that are members of the Sharia Securities List (DES) (Indonesia Stock Exchange, 2018).

According to Syahrir (1995), there are several factors that can affect the development of stocks, such as inflation, Bank Indonesia interest rates, the money supply (JUB), exchange rates and so on. In addition, other factors such as the economic condition of a country, government policies, and national security can affect the stock index. One of the factors from the macroeconomic perspective that affects Islamic stocks is the BI Rate. Changes that occur in the BI Rate has an influence on investors and issuers which will have an impact on stock prices, where an increase in the BI Rate can affect investors' portfolio sheets.

Empirical studies of the Interest Rate (BI Rate and FED Rate) on stock indices were carried out by Abbas et al. (2022), Nur and Fatwa (2022), Angesti and Setyadharma (2022), Pratiwi et al. (2022), Permada et al. (2022), Ilyas (2022), Ani and Andrian (2022), Kasongwa and Minja (2022), Andani and Latief (2020), Ningsih and Muthmainnah (2019), and Mawarni and Widiasmara (2018), Miyanti and Wiagustini (2018), and Rahmawati and Baini (2019). Research on exchange rates on stock indices has been conducted by Balagobei and Bandara (2022), Winny and Yulfiswandi (2022), Nur and Fatwa (2022), Ilyas (2022), Pratiwi et al. (2022), Adiningtyas (2018), Andani and Latief (2020), Ningsih and Muthmainnah (2019), and Sari and Purwohandoko (2019). The World Gold Price against the Stock Index was carried out by Chen et al. (2023), Darmawan and Saiful Haq (2022), Angesti and Setyadharma (2022), Garnia et al. (2022), Budhidharma et al. (2022), Putri and Rizal (2019), Sari and Purwohandoko (2019), Afendi (2017), Suryahani et al. (2020). Then for the world oil price researched by Darmawan and Saiful Haq (2022), Kasongwa and Minja (2022), Bhama (2022), Winny and Yulfiswandi (2022), Panda et al. (2023), Budhidharma et al. (2022), Candy and Winardy (2019) and Mawarni and Widiasmara (2018). Meanwhile, empirical studies for exports and imports of stock indices have been carried out by Halisa and Annisa (2022), Maran et al. (2022), Hussain et al. (2012) and Zhu (2012). Overall research results differ from one another in terms of the interplay among these above-mentioned variables.

A number of studies on the impact of the trade war between the United States and China have been carried out since the beginning of 2018. However, the studies that have been carried out are divided into two major groups, namely those who believe that the phenomenon of the trade war between the United States and China will affect the economies of countries in the world, and there are also researchers who argue otherwise stating that the economies of countries in the world have no effect due to the trade war between the United States and China.

Yusfiarto and Pambekti (2020) conducted a similar study on the influence of macroeconomic factors with the Jakarta Islamic Index (JII) as the endogenous variable. However, the difference between this study and the previous one lies in the endogenous variables. Research conducted by Yusfiarto and Pambekti (2020) uses the Jakarta Islamic Index (JII) as the endogenous variable, while this study uses the Indonesian Sharia Stock Index (ISSI) as the endogenous variable. Another difference lies in exogenous variables which in this study use additional exogenous variables in the form of FED Rate, Gold Prices, Exports and Imports.

Based on the description and inconsistency of the results of previous research regarding the Indonesian Sharia Stock Index which is influenced by macroeconomic variables, the purpose of this study is to analyze the effect caused by the BI Rate, FED Rate,

USD/IDR Exchange Rate, CNY/IDR Exchange Rate, Gold, WTI Oil, Exports and Imports of the Indonesian Sharia Stock Index on the US-China Trade War Phenomenon. This study focuses on the influence of macroeconomic factors on the Indonesian Sharia Stock Index during the United States and China trade war period from 2018 to 2020 which is also a limitation in this study.

Hypotheses Development

The Influence of BI Rate on Indonesian Sharia Stock Index (ISSI)

BI Rate is one of the monetary policies that is the reference interest rate in Indonesia issued by Bank Indonesia. Research conducted by Nur and Fatwa (2022) states that the BI Rate has an influence on the Indonesian Sharia Stock Index. It indicates that the BI Rate has a very strong influence on stocks in this context, namely the Indonesian Sharia Stock Index (ISSI). In another study, it was also stated that the influence of the BI Rate on ISSI can influence investors decisions to invest in the Indonesian Sharia Stock Index (Rahmawati & Baini, 2019). From this explanation, this hypothesis can be written as follows.
H1: *BI rate has an effect on the ISSI*

The Influence of FED Rate on ISSI

The Fed's benchmark interest rate become a determining factor for investors in determining investment (Federal Reserve). Based on the theory interest rate, changes that occur in foreign interest rates can affect investors decisions. An increase in foreign interest rates compared to domestic interest rates can cause capital outflows where investors tend to invest abroad with high interest rates compared to investing in the country. Changes in high foreign interest rates along with a decrease in domestic interest rates can have a negative impact on the condition of the Indonesian capital market (Antonio et al., 2013; Othman & Al-Kassab, 2022). From this explanation, it is hypothesized that:
H2: *FED rate has an effect on ISSI*

The Influence of USD-IDR Exchange Rate on ISSI

Connection Among score exchange rupiah or Exchange rate to eye money Dollar America Union with price share could be seen through approach market goods. An increase in the exchange rate or exchange rate can have different impacts for the company. For companies whose production activities are related to export activities, it can cause a positive effect from the strengthening of the rupiah exchange rate against the dollar, while for companies that have debt in the form of dollars, the increase in the dollar can have a negative impact because it becomes a burden for the company because they have to pay higher debts (Alamsyahbana, 2021; Mishkin, 2008). From this explanation, the following hypothesis is formulated.
H3: *The USD-IDR exchange rate has an effect on ISSI*

The Influence of CNY-IDR Exchange Rate on ISSI

The relationship between the exchange rate of the Indonesian Rupiah (IDR) against the Chinese Yuan (CNY/IDR) and stock prices can be observed by examining the market goods approach, as changes in the CNY/IDR rate can influence companies. It is well-known

that China is the world's largest economy and a significant importer for Indonesia, making China's internal policies and stability influential on Indonesian imports. Since the implementation of the Yuan exchange rate in Indonesia, it has been observed that the use of the Yuan exchange rate in international trade transactions has become more common, impacting collaboration between industries in Indonesia and China (Yusfiarto & Pambekti, 2020). Therefore, the following hypothesis is proposed.
H4: *The CNY-IDR exchange rate has an effect on ISSI*

The Influence of World Gold Price on ISSI

Darmawan (2022) states that Gold is a model of investment that has the lowest risk and is the most liquid since it can be used anywhere. In addition, gold also has resilience and its value remains even though it is hit by the economic crisis and inflation. When the price of gold rises, investors tend to invest in gold rather than stocks because the investment risk is lower. It can cause stock prices to decline, resulting in a decline in stock indexes. From this explanation, a hypothesis is tested.
H5: *The world gold price has an effect on ISSI*

The Influence of World Oil Price on ISSI

The world oil price can give different impact on every price shares, especially these originating from companies engaged in both mining and non-mining. The world oil price for companies engaged in the non-mining sector can bring negative impact because it can cause increase cost production. Whereas on sector company mining, increase price oil can bring positive impact because the increase in oil prices will make company revenues also increase, which leads to an increase in stock prices (Wahyudi & Rahayu, 2022).
H6: *The world oil price has an effect on ISSI*

The Influence of Exports on ISSI

Export is a part of the international trade process by sending goods originating from within the country to abroad with the terms and conditions that have been determined. Halisa and Annisa (2022) said that exports can increase the country's foreign exchange and also the stability of national economic growth. If economic growth is stable, it will attract investors to invest in the country and will increase investor confidence. When the level of investor confidence increases, the interest of investors to invest also increases. It leads to an increase on stock trading in the capital market, which affects the stock index.
H7: *Exports has an effect on ISSI*

The Influence of Imports on ISSI

Import is the process of purchasing goods and services from within the country into the country through a cooperation agreement. Increasing imports can be interpreted that industrial activities are increasingly running because of import activities for machinery, raw materials, and all other industrial needs can be used to maximize the company's operational activities in various sectors, so as to increase company performance. The more the company increases, the company's stock price will also increase. As a result, the stock price of the company will also increase (Candy & Winardy, 2019; Sitorus, 2021). However, on the other hand, imports that are carried out continuously exceeding the export numbers will

result in a deficit balance, which will has an impact on currency depreciation or a decrease in the exchange rate (Maran et al., 2022).
H8: *Imports has an effect on ISSI*

Method

This study employs quantitative research utilizing time series data obtained from the object of investigation, covering the period from March 2018 to December 2020, which coincided with the trade war between the United States and China. The analytical approach employed in this research is the Vector Error Correction Model (VECM), a component of the VAR model. The selection of the VAR model is based on the nature of the time series data, which captures economic fluctuations. In the VAR/VECM model, all variables are considered as endogenous variables, eliminating the need to differentiate between endogenous and exogenous variables. The stages involved in the VAR/VECM methodology encompass the Test Data Stationarity, Optimal Lag Test, Test VAR Stability, Test Johansen Cointegration, Granger Causality Test, Vector Error Correction Model Estimation, Test Impulse Response Function, and Test Forecast Error Variance Decomposition (Firdaus, 2020).

Results

Data Stationarity Test

According to the findings of the stationarity test presented in Table 1, it is evident that the majority of variables examined in this study are non-stationary at the level. However, since all variables are expected to exhibit stationarity in the unit root test, a secondary test is conducted at the first difference level to achieve stationary outcomes. The outcomes of the stationary test at the first difference level indicate that all variables are indeed stationary.

Table 1. Stationarity Test

Variable	Critical Value	Level		First Difference Level	
	(0.05)	ADF value	Information	ADF value	Information
ISSI	-3.557759	-1.298406	Not Stationary	-4.227633	Stationary
BI Rate	-3.557759	-2.539901	Not Stationary	-8.326342	Stationary
FED Rate	-3.557759	-2.041573	Not Stationary	-3.681120	Stationary
USD Rate	-3.557759	-3.464043	Not Stationary	-6.293673	Stationary
CNY Rate	-3.557759	-2.696016	Not Stationary	-6.132873	Stationary
Gold Price	-3.557759	-3.549505	Not Stationary	-4.984165	Stationary
Oil Price	-3.557759	-3.532264	Not Stationary	-4.660949	Stationary
Export	-3.557759	-3.802766	Stationary	-9.998093	Stationary
Import	-3.557759	-4.857881	Stationary	-7.651273	Stationary

Optimal Lag Test

Referring to the provided Table 2, it is evident that the lag 2 demonstrates the optimal lag length, as indicated by the value of the sequential modified LR test. The highest Akaike Information Criterion (AIC) and Schwarz Information Criterion (SC) values were 116.7798, -34.12529, and -26.29277, respectively. Thus, for this study, a lag of 2 is employed.

Table 2. Test Lag Length Criteria

lag	LogL	LR	AIC	SC
0	339.3575	NA	-20,64735	-20.23511
1	573.2757	321.6375	-30.20473	-26.08235
2	717.0047	**116.7798***	**-34.12529***	**-26.29277***

VAR Stability Test

Referring to the depicted Figure 1, it is evident that the model employed in this research is deemed stable, as all roots of the polynomial function lie within the unit circle. Consequently, the outcomes of the Impulse Response Function (IRF) and Variance Decomposition (VD) analyses are deemed valid.

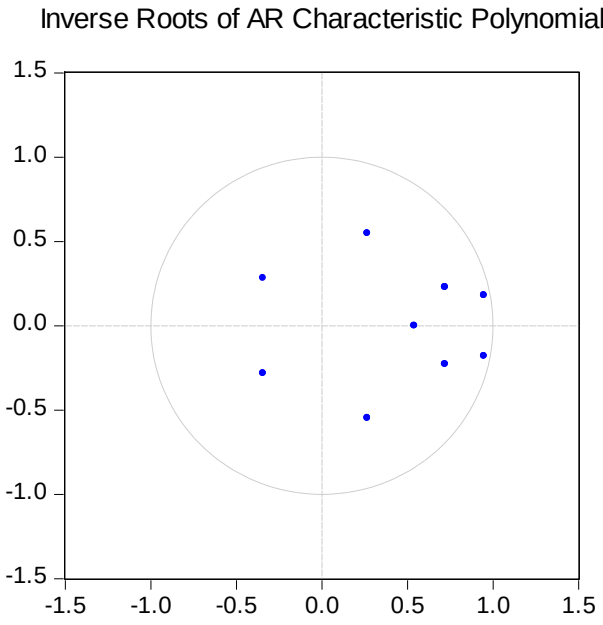

Figure 1. VAR Stability Test

Johansen Cointegration Test

As depicted in Table 3, this study reveals the presence of six cointegration relationships. The presence of an asterisk signifies that the probability value is below 5% and the Trace statistic exceeds the critical value. Consequently, these findings provide a basis for further examination through VECM estimation testing.

Table 3. Johansen Cointegration Test

Unrestricted Cointegration Rank Test (Trace)				
Hypothesized No. of CE(s)	Eigenvalue	Trace Statistics	0.05 Critical Value	Prob.**
None *	0.972937	383.8396	197.3709	0.0000
At most 1 *	0.949488	268.3328	159.5297	0.0000
At most 2 *	0.771658	172.7953	125.6154	0.0000
At most 3 *	0.705537	125.5342	95.75366	0.0001
At most 4 *	0.625915	86.41091	69.81889	0.0014
At most 5 *	0.577715	54,94621	47.85613	0.0094
At most 6	0.317005	27.35979	29.79707	0.0931
At most 7	0.268142	15.15923	15.49471	0.0561
At most 8 *	0.149182	5.169815	3.841466	0.0230

Vector Error Correction Model (VECM) Estimation

The VECM estimation presented in Table 4 demonstrates that this study yields an f-statistics value of 1.063943, surpassing the critical value of 0.322. This indicates that all variables collectively exert a significant impact. Additionally, the estimation outcomes reveal an R-Squared value of 0.336271 or 33.6%, suggesting that approximately one-third of the variations in the ISSI variable can be accounted for by the included variables (BI Rate, FED Rate, USD/IDR Exchange Rate, CNY/IDR Exchange Rate, Gold Prices, Oil Prices, Exports, and Imports). Notably, 66.4% of the ISSI variable is influenced by external factors beyond the scope of this research.

Table 4. Estimated VECM

Long Period		
Variable	**Coefficient**	**T- Statistics**
ISSI (-1)	1.0000000	**-**
BI_RATE(-1)	-1.348885	[-7,63716] *
FED_RATE(-1)	0.236830	[5.05235]*
EXCHANGE_USD(-1)	6.220951	[9,69155]*
EXCHANGE_CNY(-1)	-4.347242	[-10.3751]*
PRICE_GOLD(-1)	-1.424732	[-5.41899]*
PRICE_OIL(-1)	-0.996133	[-14.5063]*
EXPORT(-1)	1.480866	[4.14121]*
IMPORT(-1)	-2.231209	[-11.0220]*
C	-7.905117	
Short Period		
Variable	**Coefficient**	**T- Statistics**
Coin Eq1	0.107269	[1.77252]**
D(ISSI(-1))	0.697547	[2.35636]**
D(BI_RATE(-1))	0.236074	[0.95995]
D(FED_RATE(-1))	0.047856	[0.83115]
D(EXCHANGE_USD(-1))	0.401147	[0.55219]

D(EXCHANGE_CNY(-1))	-0.329161	[-0.47990]
D(GOLD_PRICE(-1))	-0.380346	[-1.29715]
D(OIL_PRICE(-1))	-0.052824	[-0.82151]
D(EXPORT(-1))	-0.144616	[-0.99939]
D(IMPORT(-1))	0.190722	[1.51227]***
C	0.008030	[0.79922]
R-squared	0.336271	
adj. R-squared	0.020210	
F-statistics	1.063943	

Impulse Response Function (IRF) Test

The purpose of the Impulse Response Function (IRF) test is to elucidate the effects resulting from shocks originating from one variable on another variable. In this particular study, the IRF test is employed to illustrate the reaction of the Indonesian Sharia Stock Index (ISSI) in response to shocks generated by various factors, including ISSI itself, BI Rate, FED Rate, USD/IDR Exchange Rate, CNY/IDR Exchange Rate, Gold Prices, Oil Prices, Exports, and Imports. Figure 2 shows the result of the IRF test.

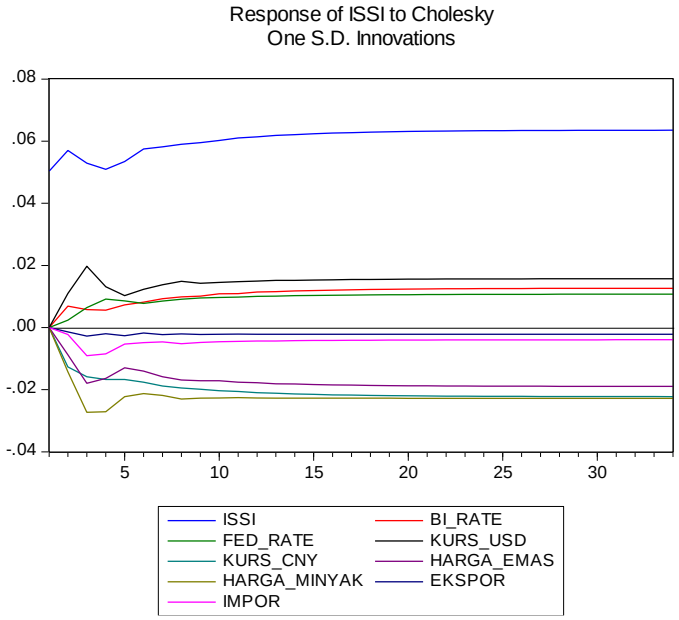

Figure 2. IRF Test

Figure 2 illustrates the positive response of the Indonesian Sharia Stock Index (ISSI) to shocks originating from ISSI itself. ISSI's response to this self-shock attains equilibrium in the 18th month, with a positive response of 6.23 percent. Similarly, shocks stemming from the BI Rate elicit a positive response from ISSI. ISSI reaches equilibrium in the 18th month, showing a positive response of 1.23 percent to BI Rate shocks. Furthermore, ISSI responds positively to shocks caused by the FED Rate. ISSI's response to FED Rate shocks reaches equilibrium in the 14th month of the long term, with a positive response of 1.04 percent. Similarly, shocks resulting from the USD/IDR exchange rate elicit a positive response from ISSI. ISSI's equilibrium response to USD/IDR exchange rate shocks occurs in the thirteenth

month, with a positive response of 1.5 percent.

However, ISSI responds negatively to shocks originating from the CNY/IDR exchange rate. ISSI's response to shocks caused by the CNY/IDR exchange rate reaches equilibrium in the 13th month, with a negative response of 2.1 percent. Moreover, ISSI demonstrates a negative response to shocks arising from World Gold Prices. ISSI's response to World Gold Price shocks starts to reach equilibrium in the 16th period, with a negative response ranging from 2.1 percent to 2.2 percent in the long term. Similarly, ISSI responds negatively to shocks caused by World Oil Prices. ISSI's response reaches equilibrium in the 9th period, with a negative response of 2.2 percent to shocks in World Oil Prices. Furthermore, ISSI responds negatively to shocks originating from Exports. ISSI's response to export shocks attains equilibrium in the 7th period, with a negative response of 0.2 percent. Similarly, ISSI exhibits a negative response to shocks caused by Imports. ISSI's response to Import shocks reaches equilibrium in the 15th period, with a negative response of 0.4 percent.

Forecast Error Variance Decomposition (FEVD) Test

The FEVD test provides information regarding the proportion of shock effects originating from the variable itself and other variables, both currently and in the future. Analysis of the FEVD test results in Table 5 reveals that in the initial period, the variability of the Indonesian Sharia Stock Index (ISSI) is primarily driven by the ISSI variable itself, accounting for 100 percent. By the 10th period, the ISSI variable contributes 70.7 percent to its own variability, followed by Oil Price at 10.5 percent, CNY Exchange Rate at 6.3 percent, Gold Price at 4.8 percent, USD Exchange Rate at 3.9 percent, BI Rate at 1.4 percent, FED Rate at 1.3 percent, imports at 0.68 percent, and exports at 0.09 percent.

Table 5. FEVD Test

Period	1	10	22	34
ISSI	100,0000	70.70176	69.11520	68.62208
BI_ *Rate*	0.000000	1.430307	2.083168	2.309833
FED_ *Rate*	0.000000	1.364926	1.674919	1.774302
Rate_USD	0.000000	3.978462	4.054714	4.089603
Rate_CNY	0.000000	6.362584	7.436698	7.769878
Gold price	0.000000	4.856138	5.490532	5.697702
Price_Oil	0.000000	10.52732	9.606565	9.273560
Export	0.000000	0.095897	0.087095	0.083967
Import	0.000000	0.682611	0.451104	0.379072

Moving on to the 22nd period, the ISSI variable contributes 69.1 percent to its own variability, followed by Oil Price at 9.6 percent, CNY Exchange Rate at 7.4 percent, Gold Price at 5.4 percent, USD Exchange Rate at 4.0 percent, BI Rate at 2.0 percent, FED Rate at 1.6 percent, imports at 0.45 percent, and exports at 0.08 percent. Similarly, in the 34th period, the ISSI variable accounts for 68.6 percent of its own variability, with Oil Price at 9.2 percent, CNY Exchange Rate at 7.7 percent, Gold Price at 5.6 percent, USD Exchange Rate at 4.0 percent, BI Rate at 2.3 percent, FED Rate at 1.7 percent, imports at 0.37 percent, and exports at 0.08 percent following suit.

Discussion

The findings of this study indicate that the short-term impact of the BI rate on ISSI is not significant, but it exhibits a negative effect in the long term. These results align with the Random Walk theory, which suggests that stock price movements are unpredictable and fluctuating. The study also finds support from previous research conducted by Nur and Fatwa (2022) and Rahmawati and Baini (2019), which reported a negative influence of the BI rate on ISSI. Moreover, the study reveals a positive impact of the FED rate on ISSI. This finding is consistent with the research conducted by Miyanti and Wiagustini (2018) and Winny and Yulfiswandi (2022), both of which observed a positive influence of the FED rate on stock indices. The positive long-term effect of the FED rate on ISSI suggests that an increase in the FED rate during the trade war period between the United States and China can lead to an increase in the shares of issuers within the Indonesian Sharia Stock Index (ISSI).

Similarly, the study identifies a positive effect of the USD exchange rate on ISSI. This finding aligns with the research conducted by Kharis and Mawardi (2019), which reported a positive influence of the USD exchange rate on stock returns in the agricultural sector. The long-term positive effect of the USD exchange rate on ISSI suggests that an increase in the USD exchange rate during the trade war period between the United States and China can lead to an increase in the shares of issuers within the Indonesian Sharia Stock Index (ISSI). In contrast, the study reveals a negative impact of the CNY exchange rate on ISSI. This finding supports the Random Walk theory, which suggests that stock price movements are random and independent of previous prices (Ardiansyah, 2015). Similar results were obtained by Yudianto et al. (2018), who reported a negative effect of the CNY exchange rate on stock returns in consumption and financial indexes.

Regarding the effect of the world gold price on ISSI, the study's results are also in line with the Random Walk theory. The movement of stock prices is considered random and unpredictable, driven by information received by the stock itself. The study's findings are consistent with the research conducted by Afendi (2017), which indicated a negative effect of the gold price on the Jakarta Islamic Index (JII). Furthermore, the study indicates an association between the world oil price and ISSI. The results demonstrate that changes in stock prices are influenced by information related to oil prices. Similar findings were reported by Gumilang et al. (2014), who found a significant negative effect of oil prices on ISSI.

Lastly, the study reveals a positive long-term effect of exports on ISSI, as exports are considered an indicator of Indonesia's economic growth. This finding is consistent with the importance of exports in contributing to economic growth. Conversely, imports have a negative impact on ISSI, in line with the Random Walk theory, which posits that future stock price movements are independent of current prices. The empirical study conducted by Halisa and Annisa (2022) also supports these findings, reporting a negative effect.

Finally, this study highlights the high sensitivity of ISSI to fluctuations in economic conditions. Investors need to carefully consider the instability of economic conditions and changes in market prices when making investment decisions. Additionally, stakeholders should exercise caution in formulating policies due to the ongoing trade war between the United States and China, as it has the potential to trigger a ripple effect on the economy. It is important to acknowledge the limitations of this research, particularly the narrow scope

of the study period, which focused solely on the trade war period. Future researchers are encouraged to extend the research period to provide a more comprehensive analysis.

Conclusion

The findings of this study indicate that in the short term, only the ISSI variable has a self-influence, while in the long term, all variables have an impact on ISSI. Positive effects are observed from the FED Rate, USD Exchange Rate, and Exports, whereas negative effects are seen from the BI Rate, CNY Exchange Rate, World Gold Price, World Oil Price, and Imports. The results of the Impulse Response Function (IRF) test demonstrate that ISSI responds positively to shocks caused by the BI Rate, FED Rate, and USD Exchange Rate, while it responds negatively to shocks caused by the CNY Exchange Rate, World Gold Price, World Oil Price, Exports, and Imports. Lastly, the Forecast Error Decomposition Variance (FEVD) analysis reveals that the largest contribution to ISSI's variability comes from the ISSI variable itself, followed by the World Oil Price, CNY Exchange Rate, World Gold Price, USD Exchange Rate, BI Rate, FED Rate, Exports, and Imports.

This study focuses on analyzing time series data. However, it is important to note that the observation period is limited to the duration of the trade war between the United States and China, up until the end of 2020. To enhance future research, it is advisable to extend the observation period. In this study, eight factors have been considered as influential on the Indonesia Sharia Stock Index (ISSI), but there are several other factors that have not been incorporated into the research model. Future researchers can expand the model by including variables like inflation, JUB, and the Foreign Stock Price Index. Furthermore, the analytical tools employed in this study are relatively basic. Future researchers can delve deeper and employ more complex analytical methods, such as incorporating spatial perspectives.

Authors' Declaration

The authors made substantial contributions to the conception and design of the study. The authors took responsibility for data analysis, interpretation and discussion of results. The authors read and approved the final manuscript.

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