

THE EFFECT OF BUDGET DEFICIT, SBI INTEREST RATE, AND CURRENCY EXCHANGE RATE ON GOVERNMENT BOND PRICE

ABSTRACT

This study aims to analyze the effect of long-term and short-term budget deficits, SBI interest rates, and currency exchange rates on the price of government bonds. This study uses a quantitative approach. The analytical method used in this study is Error Correction Model (ECM). The time period used in this study is from the first quarter of 2000 to the last quarter of 2018. This research was conducted by taking secondary data from the publication of Bank Indonesia, the Central Statistics Agency, Trading Economics, and the Ministry of Finance.

The results of this study indicate that budget deficit there is no long-term and short-term relationship with the price of government bonds because it has a probability value below the alpha level. Then to remember the interest rates of SBI have a long-term and short-term relationship to the price of government bonds and in accordance with existing hypotheses. Currency exchange rates are also the same as SBI interest rates that have long-term and short-term relationships and are in accordance with the hypotheses in this study.

Keywords: Bond Price, SBI, Exchange Rate, and Budget Deficit