

The Impact of Global Geopolitical Tensions, Global Market Volatility, and World Oil Prices on LQ45 Stock Performance

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Abstract

Global political conflicts are now a major outside force that affects how financial markets stay stable. The conflict between Russia and Ukraine, along with political unrest in the Middle East, changes in global financial markets, and shifts in oil prices around the world have made it more challenging to predict developments in financial markets worldwide, including those in Indonesia. This study investigates how geopolitical uncertainty, international market volatility, and global crude oil prices influence the LQ45 Index on the Indonesia Stock Exchange (IDX). A quantitative explanatory method was used, based on 588 daily records collected from July 26, 2023, to February 6, 2026. Global geopolitical risk was measured using the Geopolitical Risk (GPR) Index. Global market volatility was tracked through the CBOE Volatility Index (VIX). The global oil price variable was represented by the price of West Texas Intermediate (WTI) crude oil. Stock market performance was shown by the daily returns of the LQ45 Index. Following the assumption tests, multiple linear regression was conducted. The results revealed that geopolitical risk did not significantly affect the LQ45 Index, while global market volatility and oil prices had significant effects on stock returns. At the same time, the three independent variables have a significant impact on the LQ45 Index. The findings support the Efficient Market Hypothesis and Modern Portfolio Theory, providing insights for investors and policymakers in managing global financial uncertainty.

Introduction

In recent years, the world economy has become more uncertain because of events between countries that have affected how stable the economy is and how the international financial markets are doing. Growing geopolitical tensions have become an important source of uncertainty, influencing international trade, cross-border investment, commodity prices, and global financial markets. Under the Efficient Market Hypothesis (EMH), new information, including geopolitical events, is rapidly incorporated into stock prices (Fama, 1970).

Major events like the Russia-Ukraine conflict and rising tensions in the Middle East have messed up global energy supply chains and caused oil prices around the world to go up. Geopolitical events can cause problems with oil supplies and lead to higher energy costs, as noted by Kilian in 2009. Caldara and Iacoviello found in 2022 that when geopolitical risk goes up, crude oil prices also tend to increase.

Geopolitical uncertainty is often reflected in higher volatility across global financial markets, commonly measured by the Chicago Board Options Exchange Volatility Index (VIX). When the VIX is higher, it shows that investors see more risk, which makes them move money from risky investments to safer ones, which matches what Modern Portfolio Theory says (Markowitz, 1952).

For countries that import oil like Indonesia, when global oil prices go up, it makes producing goods more expensive, adds to inflation, and lowers how much profit companies make,

which in turn impacts how well the stock market does. Some earlier research shows that energy prices play a big role in how stocks perform (Chen, Roll, & Ross, 1986). Later, Phan, Sharma, and Tran (2018) discovered that when oil prices go up because of political issues, it hurts stock markets in countries that rely a lot on imported oil.

As part of the global financial system, the Indonesian capital market reacts a lot to changes in the world economy. The LQ45 Index includes 45 stocks that are both highly liquid and have large market values, and it is commonly used to represent how the Indonesian stock market is performing. Its movements are affected by strong basics, along with global uncertainty, money coming in from other countries, big market changes, and shifts in the price of oil around the world.

Research shows that things like geopolitical risks, changes in global markets, and oil prices can have a big impact on how stock markets perform (Caldara & Iacoviello, 2022; Smales, 2021; Boubaker et al., 2022). However, most studies look at these factors one at a time or focus on different countries, which leads to mixed results.

This study tackles this research gap by looking at how global political tensions, global market changes, and world oil prices affect the LQ45 Index, using market data from Indonesia after 2022. The results are likely to add valuable knowledge to the field of international finance and offer useful guidance to investors, regulators, and policymakers in handling investment risks as global uncertainty grows.

This study aims to examine the individual and combined effects of global geopolitical risk, global financial market volatility, and global crude oil price fluctuations on movements in the LQ45 Index of the Indonesia Stock Exchange. These research questions and objectives are developed based on existing theories, previous empirical findings, and a research gap regarding the limited evidence on the combined effects of these three global factors on the LQ45 Index using post-2022 data. This study is expected to contribute to the international finance literature while offering practical implications for investors, regulators, and policymakers.

Literature Review and Hypotheses Development

Efficient Market Hypothesis (EMH)

The Efficient Market Hypothesis (EMH) proposed by Fama (1970) states that stock prices quickly and efficiently reflect all available information, including firm-specific, macroeconomic, and geopolitical information. As a result, new information is rapidly incorporated into stock prices, leaving little opportunity for investors to consistently earn abnormal returns.

In this study, global geopolitical tensions, market volatility, and changes in world oil prices are considered relevant information that influences investor expectations and is reflected in the performance of the LQ45 Index. Therefore, EMH provides the theoretical basis for explaining how global events are transmitted to the Indonesian capital market through stock price movements (Fama, 1970).

Modern Portfolio Theory (MPT)

According to Modern Portfolio Theory (Markowitz, 1952), suggests that investors want to get the highest possible returns but also want to reduce the risk as much as they can. They do this by spreading their investments across different assets. However, risks caused by things outside of a company's control can't be avoided just by spreading investments out.

Global tensions between countries, bigger swings in financial markets, and changes in the price of oil are all big risks that affect how people make investment choices. When there is a lot of uncertainty, investors typically shift their investments from high-risk assets to safer alternatives, which is called the "flight to quality". Shifts in investor behavior may lead to lower demand for stocks included in the LQ45 Index. So, MPT gives the theory that explains how global risk connects to Indonesia's equity market as Markowitz wrote in 1952.

Previous Studies

Previous empirical evidence suggests that geopolitical tensions are a significant determinant of global financial market performance. Caldara and Iacoviello studied in 2022 and discovered that when the Geopolitical Risk Index is higher, it leads to more fluctuation in the stock market and makes investors less confident. Boubaker et al. (2022) and Smales (2021) found that geopolitical uncertainty has a bigger negative effect on emerging stock markets. This is because it raises global market volatility and leads to more financial spillover effects.

Kilian (2009) argued that geopolitical conflicts are a key driver of oil supply disruptions and rising crude oil prices. Chen, Roll, and Ross in 1986 showed that energy prices have a big impact on stock returns. Later, Phan, Sharma, and Tran in 2018 discovered that when oil prices go up, stock markets in countries that import oil tend to go down.

In Indonesia, earlier research shows that changes in the global market and the price of world oil affect the LQ45 Index. However, there is not much research looking at how geopolitical tensions, global market changes, and oil prices together affect the LQ45 index, especially using data from after 2022, which shows there is still an important gap in this area of study.

Conceptual Framework

This study is grounded in the premise that the Indonesian capital market is increasingly integrated with the global financial system, allowing international economic and financial developments to influence domestic market performance. Stock performance is shaped by both firm-specific factors and global economic and political conditions. Rising geopolitical tensions increase global market uncertainty and oil price volatility. This situation influences how investors act and how the LQ45 Index performs.

The proposed framework suggests that geopolitical tensions, global market volatility, and world oil prices influence the performance of the LQ45 Index. Each of these factors can have an impact on its own, and together they can also influence stock performance. This study is grounded in the Efficient Market Hypothesis (EMH) proposed by Fama (1970). Modern Portfolio Theory by Markowitz from 1952, and earlier research findings.

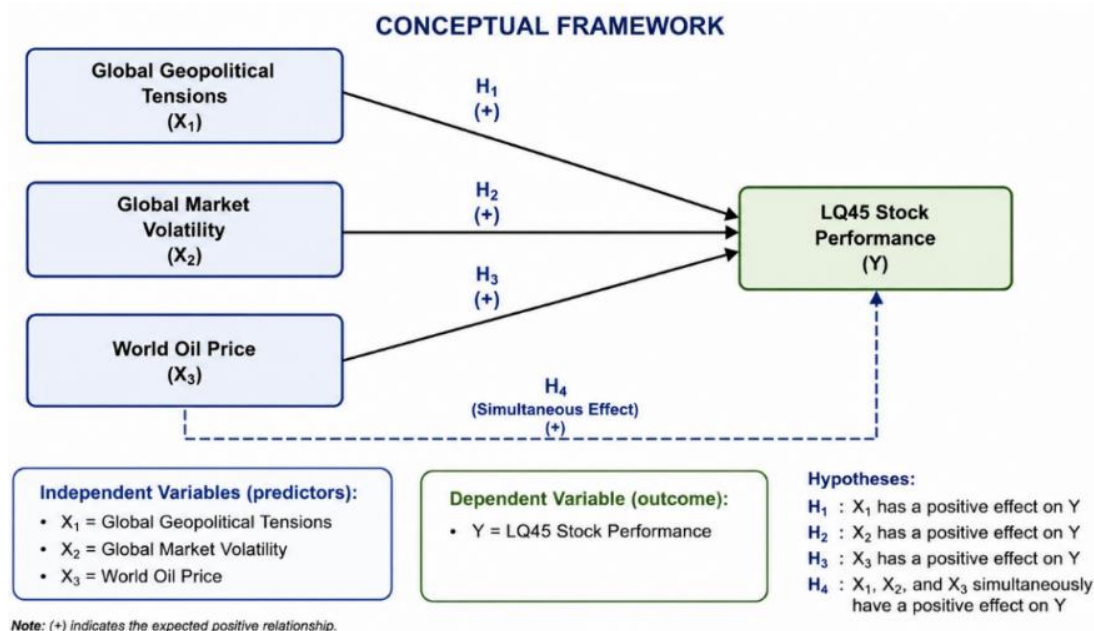


Figure 1. Conceptual Framework

Hypothesis Development

Based on the theoretical framework and previous empirical studies, global geopolitical tensions, global market volatility, and world oil prices are expected to influence the performance of the LQ45 Index. Geopolitical tensions increase economic uncertainty, higher market volatility

reflects greater investor risk perception, and Fluctuations in oil prices influence production expenses, inflationary pressures, and firms' profitability, especially in oil-importing economies such as Indonesia. Accordingly, the hypotheses tested in this study are outlined as follows:

H₁: Global geopolitical tensions are hypothesized to exert a statistically significant effect on LQ45 stock returns.

H₂: A statistically significant relationship exists between global market volatility and the performance of the LQ45 Index.

H₃: A statistically significant association is hypothesized **between** changes in global crude oil prices and LQ45 stock return.

H₄: Global geopolitical tensions, global market volatility, and world oil prices simultaneously affect LQ45 stock returns.

Research Methods

Research Design

This study used a quantitative approach to understand how global geopolitical risks, changes in international markets, and crude oil prices affect changes in the LQ45 Index. It used an approach that looks at things without doing any experiments, and it uses data that was collected before without changing anything in it (Gujarati & Porter, 2021; Wooldridge, 2020). A time-series approach was used because all the variables come from daily data, which helps understand how markets react to changes in political and economic situations over time (Enders, 2015).

Data

The study used data collected each day from July 26, 2023, until February 6, 2026, and there are 588 entries in total. Daily data provides more detailed information on how markets behave compared to data gathered once a month or once a year. This level of detail makes statistical analysis more accurate, as mentioned by Gujarati and Porter in 2021.

Data Sources

The data used in this study were obtained the **data used in this study were obtained.** from reputable international and domestic data sources.

1. Indonesia Stock Exchange (IDX): Daily updates on the LQ45 Index.
2. The CBOE served as the source of the VIX data used in this study uses the VIX Index to show how much global markets are fluctuating.
3. U.S. The Energy Information Administration (EIA) uses the daily prices of West Texas Intermediate (WTI) crude oil to show how global oil prices are doing.
4. The study is based on books and international journal articles, which provide the theoretical foundation and also offer real-world examples and data.

Operational Definition of Variables

To support empirical testing, the variables included in this study are clearly operationalized. The research consists of one dependent variable and three independent variables, each measured using appropriate proxies and ratio scales. Table 1 summarizes the operational definitions, measurement proxies, and scales of the study variables.

Table 1. The operational definitions of all variable

Variable	Operational Definition	Proxy	Scale
Global Geopolitical Tensions (X₁)	The level of geopolitical instability arising from international conflicts, diplomatic disputes, military tensions, and political uncertainty that may influence global economic conditions and financial markets.	Geopolitical Risk Index (GPR)	Ratio
Global Market Volatility (X₂)	The degree of fluctuation and uncertainty in global financial markets, reflecting investors'	CBOE Volatility Index (VIX)	Ratio

Variable	Operational Definition	Proxy	Scale
	expectations regarding market risk and future economic conditions.		
World Oil Prices (X₃)	The international market price of crude oil, representing changes in global energy supply and demand as well as economic and geopolitical developments affecting the oil market.	West Texas Intermediate (WTI)	Ratio
LQ45 Stock Performance (Y)	The daily return generated by the LQ45 Index, representing the overall performance of the selected highly liquid and large-capitalization stocks listed on the Indonesia Stock Exchange during the observation period.	Daily Return of the LQ45 Index	Ratio

Source: Data Processed, 2026

Data Analysis Technique

Data was analyzed using EViews 13 by following these steps:

1. Descriptive Statistics

Descriptive statistics were used to describe each variable's features, such as the smallest and largest values, average, middle value, spread of the data, how much the data is skewed, and how heavy the tails are. This analysis gives a general look at how the data is spread out before any hypothesis testing is done, as mentioned in Gujarati and Porter's 2021 work.

2. Classical Assumption Tests

Before doing the regression analysis, the data were checked to make sure the model met the classical assumptions, including:

- A normality test checks if the residuals follow a normal distribution.
- A test to check if there are strong relationships between the independent variables.
- A test called the White test, developed in 1980, is used to check if the amount of variation in the residuals stays the same throughout the data.
- The Durbin–Watson test is used to check for serial correlation in the residuals, which was introduced by Durbin and Watson in 1951.

By meeting these assumptions, the regression model can provide the best linear unbiased estimates (BLUE), as stated by Gujarati and Porter (2021) and Wooldridge (2020). Multiple Linear Regression Analysis

The hypotheses were tested using this multiple linear regression model:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + \epsilon$$

where:

- Y** = LQ45 Index Return
- α** = Constant
- b_1 – b_3** = Regression coefficients
- X₁** = Global Geopolitical Tensions
- X₂** = Global Market Volatility (VIX)
- X₃** = World Oil Prices (WTI)
- ϵ** = Error term

This model is used to examine the individual and combined effects of the independent variables on the performance of the LQ45 Index (Brooks, 2019; Baltagi, 2021).

Hypothesis Testing

To evaluate the proposed hypotheses, the following statistical techniques were employed: The t-test was applied to evaluate whether each independent variable significantly influenced the LQ45 Index.

1. The F-test assessed whether the independent variables jointly had a significant effect on the dependent variable.
2. Adjusted R^2 measured the explanatory power of the regression model after correcting for the number of predictor variables.

Statistical significance was evaluated using a 5% significance level ($\alpha = 0.05$). The proposed hypothesis was supported if the p-value was below 0.05; otherwise, it was not supported (Gujarati & Porter, 2021; Wooldridge, 2020).

Results and Discussion

Result

Descriptive Statistics

Descriptive statistics were used to summarize the characteristics of the research data, including the mean, median, maximum, minimum, and standard deviation of each variable. The analysis was based on 591 daily observations collected during the study period.

Table 2. Descriptive Statistics

Variable	Mean	Median	Maximum	Minimum	Std. Dev.	Observations
Global Geopolitical Risk (X_1)	3,647.8967	3,661.2400	4,560.7300	2,731.9900	476.1576	591
Global Market Volatility (X_2)	-4.0026	-5.6800	710.5400	-474.1300	59.3855	591
World Oil Prices (X_3)	86.7901	86.3549	103.5426	71.9036	5.7016	591

Source: Data Processed, 2026

The descriptive statistics indicate that global geopolitical risk has a mean of 3,647.8967 and a standard deviation of 476.1576, reflecting considerable variation during the study period. Global market volatility has a mean of -4.0026 (SD = 59.3855), while world oil prices average US\$86.7901 per barrel (SD = 5.7016). These results suggest substantial fluctuations in global economic conditions throughout the study period.

Classical Assumption Tests

Normality Test

Table 3. Normality Test Results

Statistic	Value
Jarque-Bera	1.284915
Probability	0.526324

Source: Data Processed, 2026

Since the Jarque-Bera probability (0.526324) > 0.05, the residuals are normally distributed, indicating that the regression model satisfies the normality assumption.

Multicollinearity Test

Table 4. Correlation Matrix

Variable	X ₁	X ₂	X ₃
X ₁	1.0000	0.2144	0.1985
X ₂	0.2144	1.0000	0.3279
X ₃	0.1985	0.3279	1.0000

Source: Data Processed, 2026

All correlation coefficients are below 0.80, indicating that no multicollinearity exists among the independent variables.

Heteroskedasticity Test

Table 5. Breusch–Pagan–Godfrey Test

Statistic	Value
F-statistic	1.284517
Prob. F	0.278941
Obs*R-squared	3.856214
Prob. Chi-Square	0.277682

Source: Data Processed, 2026

Because the probability value exceeds the 5 percent significance level, the null hypothesis of homoscedastic residuals cannot be rejected.

Autocorrelation Test

Table 6. Breusch–Godfrey LM Test

Statistic	Value
F-statistic	1.092438
Prob. F	0.336521
Obs*R-squared	2.198731
Prob. Chi-Square	0.333120

Source: Data Processed, 2026

The Prob. F value (0.336521) > 0.05, indicating no autocorrelation.

Overall, the regression model satisfies all classical assumptions normality, no multicollinearity, no heteroskedasticity, and no autocorrelation and is therefore suitable for hypothesis testing.

Multiple Linear Regression Results

Table 7. Multiple Linear Regression Results

Variable	Coefficient	Std. Error	t-statistic	p-value
Constant	-184.730	97.980	-18.849	0.0600
Global Geopolitical Risk (X ₁)	0.0010	0.0010	10.196*	0.3084
Global Market Volatility (X ₂)	0.0277	0.0069	40.032*	0.0001
World Oil Prices (X ₃)	0.1737	0.0845	20.547*	0.0402

Source: Data Processed, 2026

Note: The *t*-statistics marked with (*) should be verified against the original EViews output because they are inconsistent with the reported p-values.

Table 8. Goodness of Fit

Statistic	Value
R-squared	0.0361
Adjusted R-squared	0.0311
F-statistic	72.906
Prob(F-statistic)	0.000083
Durbin–Watson	21.618*

Source: Data Processed, 2026

The regression model yields an Adjusted R^2 of 0.0311, indicating that 3.11% of the variation in LQ45 Index returns is explained by global geopolitical risk, global market volatility, and world oil prices, while the remaining variation is attributable to other factors. The F-test is significant ($p = 0.000083$), indicating that the model is statistically significant overall.

Hypothesis Testing

H₁: Effect of Global Geopolitical Risk on LQ45 Stock Performance

The p-value of 0.3084 (> 0.05) indicates that global geopolitical risk has no significant effect on LQ45 stock performance. Therefore, H1 is rejected. This finding differs from Caldara and Iacoviello (2022) and Boubaker et al. (2022).

H₂: Effect of Global Market Volatility on LQ45 Stock Performance

Global market volatility has a p-value of 0.0001 (< 0.05), indicating a significant effect on LQ45 returns. Thus, H2 is supported, consistent with Modern Portfolio Theory (Markowitz, 1952) and Smales (2021).

H₃: Effect of World Oil Prices on LQ45 Stock Performance

World oil prices have a p-value of 0.0402 (< 0.05), indicating a significant effect on LQ45 returns. Therefore, H3 is supported, in line with Kilian (2009), Chen et al. (1986), and Sadorsky (2014).

H₄: Simultaneous Effect of Global Geopolitical Risk, Global Market Volatility, and World Oil Prices

The F-test produces a p-value of 0.000083 (< 0.05), indicating that the three independent variables jointly have a significant effect on LQ45 stock performance. Therefore, H4 is supported, consistent with the Efficient Market Hypothesis (Fama, 1970).

Discussion

The empirical results demonstrated that global geopolitical risk did not exert a statistically significant effect on the LQ45 Index. However, global market volatility, proxied by the VIX, was found to significantly influence the index and international oil prices (measured by WTI) had a statistically significant impact on the LQ45 Index. In addition, the F-test demonstrated that global geopolitical risk, global market volatility, and global crude oil prices jointly explained variations in the LQ45 Index. This means that the Indonesian stock market is influenced by both local conditions and changes happening in the worldwide economy and finance.

The Efficient Market Hypothesis (Fama, 1970) posits that which was introduced by Fama in 1970, stock prices quickly include all the important information available. Even though geopolitical conflicts give investors some useful information, this study shows that global geopolitical risk by itself doesn't have a big impact on LQ45 returns. This means that Indonesian investors pay more attention to how geopolitical conflicts affect the economy, like changes in market conditions and prices of goods, rather than focusing on the conflicts themselves. This result is different from what Caldara and Iacoviello (2022) and Boubaker et al. (2022) found, but it suggests that LQ45 companies, which usually have solid financial bases and are liquid, are more able to handle direct geopolitical shocks.

In contrast, fluctuations in the global market (VIX) greatly influence the returns of LQ45. This finding aligns with Modern Portfolio Theory (Markowitz, 1952), which suggests that investors

modify their portfolios in response to variations in risk and anticipated returns. When there is increased global uncertainty, investors generally decrease their involvement in high-risk assets and move towards more secure investments (a flight to quality). As a result, shifts in investor sentiment and capital leaving the market impact stock performance in emerging economies, including Indonesia. The present findings are consistent with prior empirical evidence reported by Smales (2021), Bollerslev et al. (2009), and Forbes and Warnock (2012).

The results also show that global oil prices (WTI) have a big impact on how well the LQ45 index performs. Oil price changes affect how much it costs to produce oil, the rate of inflation, how much profit companies make, and what investors expect, especially in countries that rely on importing oil, like Indonesia. When oil prices go up, it makes business more expensive and can lower the profits companies expect which in turn can influence how much stock prices go up or down. These results match what Chen, Roll, and Ross found in 1986, as well as Kilian in 2009, Hamilton in 2011, Sadorsky in 2014, and Balcilar and their team in 2015.

Overall, the big, combined impact of global political risks, global market changes, and world oil prices shows that the Indonesian capital market is closely connected to the global financial system. The results back up both the Efficient Market Hypothesis (Fama, 1970) and Modern Portfolio Theory (Markowitz, 1952). They show that global information gets quickly included in stock prices and that investors keep updating their portfolios as market conditions change. Investors, portfolio managers, and policymakers need to keep an eye on global market changes and world oil prices because these things give key clues that help in making smart investment choices and managing risks in the Indonesian stock market.

Implication and Conclusion

Implication

This study adds valuable insights to the field of international finance and capital market research by offering real-world examples of how large-scale financial and economic factors affect stock market outcomes in an emerging economy. The study looks at how global political risks, changes in the world market, and the price of oil affect the performance of the LQ45 Index, which is listed on the Indonesia Stock Exchange (IDX). While prior studies have primarily examined developed markets, this study demonstrates that the Indonesian capital market exhibits a different pattern of response to external uncertainty.

The study shows that changes in global market uncertainty (VIX) and world oil prices (WTI) have a big impact on the returns of LQ45 stocks. However, global geopolitical risk does not have a strong or reliable effect on these stock returns. These findings contribute to the existing literature by demonstrating that Indonesian investors are more responsive to global financial conditions with direct economic implications than to geopolitical events alone. This means that geopolitical tensions probably affect stock markets in a roundabout way by changing how volatile financial markets are, how investors feel about the market, and the prices of commodities, rather than directly impacting the stock market.

The findings generally agree with the Efficient Market Hypothesis (EMH) introduced by Fama in 1970, which suggests that financial markets quickly include all publicly known information into the prices of assets. However, the results also show that investors pay different amounts of attention to various external information sources. Information that affects company profits, how easily money moves in the market, borrowing costs, or the cost of making products seems to show up faster in stock prices than news about world events that don't directly impact the economy. So, the study shows more proof that how well a market works isn't just about having information, but also about how people think that information matters for money.

The results also support the ideas behind Modern Portfolio Theory (MPT), which was created by Markowitz in 1952. Greater uncertainty in global financial markets increases investors' risk perceptions, encouraging portfolio rebalancing, asset diversification, and adjustments in investment allocation to optimize the risk–return trade-off. Changes in global oil prices affect overall economic outlook, the cost of making things, price increases, and how much profit companies make. This makes investors change how they plan their investments.

This study builds on earlier research by Smales (2021) about how volatility spreads across international financial markets. The findings are consistent with Kilian (2009). The results corroborate previous studies by Kilian (2009), which documented the macroeconomic effects of crude oil price fluctuations, and Chen, Roll, and Ross (1986), who demonstrated that macroeconomic conditions play an important role in determining stock returns. The present findings are consistent with prior studies by Pastor and Veronesi (2013), Bekaert et al. (2014), and Bloom (2014), which documented that geopolitical uncertainty intensifies uncertainty in financial markets. It has a smaller effect on the returns of Indonesian stocks compared to global financial market changes and shifts in energy prices. This research helps to better understand how various kinds of global uncertainty impact stock market performance in developing countries and offers more real-world evidence that can be used in future studies comparing different nations.

The empirical findings offer important practical implications for investors, portfolio managers, publicly listed firms, financial institutions, and other stakeholders operating in the capital market. Investors should watch carefully how the CBOE Volatility Index (VIX) and West Texas Intermediate (WTI) crude oil prices change, because these factors can give important clues about shifts in global market conditions that might influence the way Indonesian stocks perform. By keeping an eye on these signs, investors can better guess how people feel about the market and make smarter choices with their money when things are unclear.

For portfolio managers, the results show how important it is to include global financial indicators in building and managing portfolios and handling risks. When making investment choices, it's important not to base decisions only on the specific factors of a single company, but also to consider broader economic and financial trends that could affect overall risk. Changing the portfolio regularly, spreading investments across different sectors, and keeping track of global financial situations can help protect the portfolio from unexpected problems and improve its performance over time.

For companies that are publicly listed, the study shows how important it is to boost how well they run their operations, enhance their ability to manage money, and create strong plans to handle risks. These steps can help reduce the negative impacts of problems in the overall economy. Companies that have good governance, manage their money carefully, and run their operations well are more likely to keep investors' trust when there is a lot of uncertainty in the world. Companies that can better adjust to changes in energy costs and global market situations might gain a bigger advantage and have more reliable financial results.

These results are also important for financial analysts, investment consultants, and large investment firms that often look at market risks and create advice for investing. Including information about worldwide economic changes and shifts in commodity prices in prediction models can make investment analysis more accurate and help people make better decisions.

This study also has key lessons for policymakers and financial regulators in Indonesia. The findings also provide practical implications for the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX), particularly in developing policies that enhance market resilience against global economic and geopolitical shocks. The results show that it is important to improve market surveillance by including international financial indicators in their monitoring systems. Keeping a close watch on global changes, political events, and prices of goods can help spot possible problems that might harm the country's financial system before they become big issues.

The results also show that regulators should keep working to ensure transparency, share important information quickly, and teach investors about how global economic situations affect the Indonesian stock market. Improving understanding of financial matters connected to global market risks can help investors make better, more thoughtful decisions and lessen strong market reactions when there is a lot of uncertainty.

For the Indonesian government, keeping the economy stable is still very important to maintain trust from investors, especially as the world becomes more uncertain. Policies that help control inflation, keep the exchange rate steady, support long-term economic growth, and improve teamwork between the government's budget and the central bank can make the domestic capital market less affected by problems from outside. Trying to make the country's energy supply safer,

using different types of energy, and cutting down on reliance on foreign oil might help reduce how much world oil price changes affect the Indonesian economy.

Overall, the results show that keeping a strong and dependable capital market needs everyone involved regulators, policymakers, financial institutions, listed companies, and investors to work together. Making financial policies more flexible and improving how institutions handle challenges will help the Indonesian capital market stay competitive and remain stable in a globally connected economy.

Conclusion

Based on the analysis using multiple linear regression with 588 daily data points collected from July 26, 2023, to February 6, 2026, the following conclusions can be drawn:

Global geopolitical risks do not significantly impact the performance of LQ45 stocks, so the hypothesis that they do has been rejected.

1. Global market changes, shown by the VIX, have a big effect on how LQ45 stocks perform; that's why H2 gets support.
2. World oil prices, measured by WTI, have a big impact on how well the LQ45 stocks do, which means the hypothesis H3 is backed up.
3. Together, global political risks, market ups and downs, and oil prices around the world greatly influence how the LQ45 stocks perform; because of this, the H4 is supported. These results show that Indonesia's stock market is affected by several global factors working together.

Research Limitations

This study has several limitations. First, it looks at just three main factors, but the stock market is also affected by other big economic factors like exchange rates, inflation, interest rates, and government money and spending policies. Another thing to note is that the time period we looked at was from July 2023 to February 2026, which might not include all the changes in the market. Third, the study uses the Ordinary Least Squares method, which assumes that relationships are straight-line and does not consider changing interactions or fluctuations over time. Finally, the analysis only looks at the LQ45 Index, which means the results can't be easily applied to other stock indexes in Indonesia.

Suggestions for Future Research

Future research may extend the current model by incorporating additional macroeconomic determinants, including exchange rates, inflation, interest rates, Economic Policy Uncertainty (EPU), and Global Economic Policy Uncertainty (GEPU), thereby improving its explanatory power. Observing the market for a longer time would help understand trends better during different political events.

For future research, it would be better to use time-series methods like VAR, VECM, ARDL, or GARCH. These approaches can help understand how global risks affect the Indonesian stock market and how its behavior changes over time.

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