

## ABSTRACT

The objective of this research is to examine whether external factors affect significantly to risk of financial industry stock. Stock risk is defined as variability of stock return individually whereas stock return is measured from difference financial index using single index model. Otherwise, the external factors using in this research are foreign exchange rate, inflation, interest rate, and gold price.

This research take monthly data period Januari 1996 - Desember 1999. For analysis concern, the period is devided into two subperiods based on the difference condition of external factors over those periods. The first period is Januari 1996 - Juli 1997 and the second period is Agustus 1997 - Desember 1999. Analysis model used to examine external factors influence on risk of financial industry stock is double-log multiple linear regression and hypothesis of test for difference between means to test wheather risk of financial industry stock difference between those two periods.

The results of statistical test using  $\alpha = 0,05$  conclude that foreign exchange rate, inflation, interest rate, and gold price both individually and simultaneously didn't affect to risk of financial industry stock for period January 1996 - July 1997 and affected significantly for periode August 1997 - December 1999. These conclusion have been supported by the test for difference between means providing evidence that risk of financial industry stock in the second periode more high than the first periode.

Although foreign exchange rate, inflation, interest rate, and gold price simultaneously had significant influence to risk of financial industry stock, but they contributed about only 50% for change in risk of financial industry stock. Thus, there are many other external factors must be added to analysis model.