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Determinants of Jakarta Composite Index (JCI) Movements: A Narrative Literature Review of Macroeconomic, Global, and Market Sentiment Factors (2020-2025)

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Abstract−The Jakarta Composite Index (JCI) is the primary indicator used to measure the performance of the Indonesian capital market and reflects the dynamics of the national economy. The movement of the JCI is influenced by various factors, including macroeconomic conditions, global economic developments, and market sentiment. However, previous studies have reported inconsistent findings regarding the magnitude and direction of these influences. Therefore, this study aims to analyze and synthesize the determinants of JCI movements during the 2020-2025 period. This research employs a Narrative Literature Review (NLR) approach by reviewing ten Scopus-indexed articles selected based on their relevance to macroeconomic factors, global factors, and market sentiment. Data were analyzed using a thematic synthesis approach to identify dominant themes, patterns of relationships, and research gaps in the existing literature. The findings reveal that macroeconomic factors, particularly inflation, interest rates, exchange rates, and economic policies, remain fundamental determinants of stock market performance. In addition, global factors such as international stock market movements, oil price fluctuations, geopolitical risks, and global economic uncertainty significantly affect JCI volatility due to increasing financial market integration. Furthermore, market sentiment, reflected in investor attention, media coverage, and investor expectations, has become increasingly influential in shaping market behavior, especially during periods of economic uncertainty. The study highlights that JCI movements are driven by the interaction of macroeconomic conditions, global developments, and investor behavior rather than by a single determinant. This research contributes to the literature by providing a comprehensive synthesis of recent studies and offering directions for future research on stock market dynamics in emerging economies.

Keywords: Jakarta Composite Index; Macroeconomic Factors; Global Factors; Market Sentiment; Capital Market

1. INTRODUCTION

The capital market has an important role in supporting economic growth through the function of financial intermediation, capital allocation, and the provision of funding sources for the business world. In Indonesia, the performance of the capital market is generally represented by the Jakarta Composite Index (JCI) or the Jakarta Composite Stock Price Index (JCI) which reflects the movement of all stocks listed on the Indonesia Stock Exchange. As the main indicator of the national capital market, the JCI is often used to evaluate economic conditions, investor confidence levels, and the stability of a country's financial system. Therefore, understanding the factors that affect the movement of the JCI is important for investors, academics, regulators, and policymakers in formulating effective investment strategies and economic policies (Goodell, 2020; Baker et al., 2020).

Theoretically, the relationship between economic information and stock market movements can be explained through the Efficient Market Hypothesis (EMH) put forward by Fama (1970). This theory states that stock prices reflect all the information available in the market so that any change in economic conditions will be immediately responded to by investors and reflected in stock price movements. In the context of the modern capital market, macroeconomic factors such as inflation, interest rates, exchange rates, money supply, and economic growth are the main indicators that influence investment decisions and stock valuations. The stability of these macroeconomic indicators is an important factor in maintaining investor confidence and supporting sustainable capital market growth (Vo et al., 2022).

In addition to domestic factors, the development of the global financial market also increasingly affects the dynamics of the Indonesian capital market. The integration of international financial markets causes changes in global stock indices, world commodity prices, and international economic conditions to be transmitted rapidly to domestic capital markets through international capital flows and changes in investor expectations. Sharif et al. (2020) show that world oil prices, geopolitical risks, and economic policy uncertainty have a significant influence on stock market volatility. Meanwhile, Yousaf et al. (2021) found that the global stock market has an increasingly high level of interconnectedness so that economic shocks that occur in one country can affect the capital markets of other countries in a relatively short time.

The period 2020-2025 is a very interesting period to study because it is marked by various global economic events that affect the world's financial markets. The COVID-19 pandemic has created unprecedented economic uncertainty and caused high volatility in global stock markets. Baker et al. (2020) found that the COVID-19 pandemic triggered a significant negative response to the international stock market. Goodell (2020) also explained that the pandemic has changed the risk structure of financial markets and increased interconnectedness between world capital markets. In

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addition to the pandemic, global inflationary pressures, interest rate hikes by the world's major central banks, geopolitical conflicts, and energy price fluctuations also increased market uncertainty during the period.

In addition to macroeconomic factors and global factors, recent research shows that market sentiment is one of the important determinants in explaining stock market movements. The perspective of Behavioral Finance Theory explains that investors do not always act rationally in making investment decisions because they are often influenced by emotions, risk perceptions, and expectations of market conditions (Shiller, 2003; Baker & Wurgler, 2007). The development of information technology and digital media has further strengthened the role of market sentiment in shaping investor behavior. Haroon and Rizvi (2020) found that the intensity of media reporting has a significant influence on market behavior during the COVID-19 pandemic. Similar findings were also put forward by Cepoi (2020) which showed that economic information and news can increase stock market volatility. In addition, Iyke and Ho (2021) explained that investor *attention* plays an important role in explaining changes in stock returns during periods of economic uncertainty.

Various studies have examined the influence of macroeconomic factors, global factors, and market sentiment on stock market movements. Narayan et al. (2021) show that government policies and economic stimulus have an influence on stock market performance during times of crisis. Phan and Narayan (2020) found that public policy responses to the pandemic significantly influenced financial market reactions. Meanwhile, Vo et al. (2022) show that economic policy uncertainty contributes to increased stock market volatility in developing countries. However, the results of previous research still show mixed findings regarding the strength of the influence of each factor on stock market movements.

Most previous studies tend to analyze macroeconomic factors, global factors, and market sentiment separately. In fact, stock market movements in the modern era are the result of a complex interaction between domestic economic conditions, global economic developments, and investor behavior. These limitations show that there is a research gap that requires a more comprehensive study to understand the determinants of JCI movement as a whole. Therefore, a synthesis of literature that is able to integrate various empirical research results is needed to gain a deeper understanding of the factors that influence the movement of the Indonesian capital market.

Based on these conditions, this study aims to conduct a Narrative Literature Review of ten Scopus indexed scientific articles published in the 2020-2025 period to identify and analyze the influence of macroeconomic factors, global factors, and market sentiment on JCI movements. This research also aims to map the development of research, identify patterns of relationships between variables, and find research opportunities that can be developed in the future. The main contribution of this research lies in the presentation of a literature synthesis that integrates the three groups of determinants in one comprehensive conceptual framework so as to provide a better understanding of the dynamics of the Indonesian capital market in an era of global uncertainty.

2. RESEARCH METHODS

2.1 Research Design

This study uses the Narrative Literature Review (NLR) approach to examine the determinants of the movement of the Jakarta Composite Index (JCI) during the period 2020-2025. This approach was chosen because it allows researchers to conduct conceptual synthesis and critical evaluation of the results of previous research in order to gain a more comprehensive understanding of the influence of macroeconomic factors, global factors, and market sentiment on JCI movements. In addition, the Narrative Literature Review allows the identification of research patterns, trends in literature development, and research gaps that still require further study.

2.2 Literature Search and Selection

The literature is obtained through a search for scientific articles using Google Scholar as an initial search tool. Furthermore, the indexing status of each article is verified through the Scopus database to ensure the quality and reputation of the publications used in the research.

The literature search was conducted using a combination of keywords: "Jakarta Composite Index", "Composite Stock Price Index", "JCI", "Macroeconomic Factors", "Exchange Rate", "inflation", "Interest Rate", "Global Stock Market", "Investor Sentiment", "Market Sentiment".

The selected article must meet the following criteria:

Criteria Inclusion

a. Indexed by Scopus.
b. Published in the period 2020-2025.
c. Discuss the factors that affect the movement of stock indices or the capital market.
d. Have relevance to macroeconomic factors, global factors, or market sentiment.
e. Available in *full text*.

Exclusion Criteria

a. Articles that are not indexed by Scopus.
b. Articles that are not related to the capital market or stock indices.
c. Item duplicate.
d. Editorial, book review, dan conference abstract.

Based on the selection process, 10 Scopus articles were obtained that have high relevance to the research theme and are used as the main source in the literature synthesis process.

2.3 Data Analysis

Data analysis was carried out using a thematic synthesis approach. Each article is analyzed based on the research objectives, variables used, research methods, and key findings obtained. Furthermore, the results of the research are grouped into main themes related to the determinants of JCI movements.

The results of the synthesis show three groups of the most dominant factors in the literature, namely:

a. Macroeconomic Factors
b. Global Factors
c. Market Sentiment Factors

The three themes were then analyzed to identify relationship patterns, consistency of research results, differences in empirical findings, and research opportunities that can be developed in the future.

2.4 Selected Articles

Table 1. Selected Scopus Articles on Determinants of Jakarta Composite Index (JCI) Movements (2020-2025)

No	Author(s)	Year	Main Variables	Main Findings
1	Baker et al.	2020	COVID-19, Stock Market	The pandemic has had a significant impact on the global stock market.
2	Cepoi	2020	News, Stock Market Returns	Economic news affects stock market volatility.
3	Goodell	2020	COVID-19, Financial Market	Global uncertainty increases market volatility.
4	Haroon & Rizvi	2020	Media Coverage, Investor Behavior	Media information influences investor behavior.
5	Phan & Narayan	2020	Government Response, Stock Market	Government policies affect the market response.
6	Iyke & Ho	2021	Investor Attention, Stock Returns	Investor attention affects stock returns.
7	Narayan et al.	2021	Economic Policy, Stock Market	Economic policies affect the stock market.
8	Yousaf et al.	2021	Global Stock Market	Global stock markets are interintegrated.
9	Vo et al.	2022	Economic Policy Uncertainty	Economic uncertainty increases market volatility.
10	Sharif et al.	2020	Oil Price, Geopolitical Risk	Geopolitical risks and oil prices affect the stock market.

2.5 Research Limitations

The study was limited to ten Scopus-indexed scientific articles published during the period 2020-2025. In addition, the study uses the Narrative Literature Review approach so that the results obtained are conceptual and do not conduct direct empirical testing. Nevertheless, this study is able to provide a comprehensive overview of research developments related to the determinants of JCI movement and identify research directions that can be developed in the future.

3. RESULTS AND DISCUSSION

3.1 Results

An analysis of ten Scopus indexed articles published during the 2020-2025 period shows that the movement of the Jakarta Composite Index (JCI) is influenced by three main groups of factors, namely macroeconomic factors, global factors, and market sentiment. These three groups of factors are closely related in shaping the dynamics of the capital market, especially in the post-pandemic period marked by high volatility and global economic uncertainty.

Table 2. Main Findings of Selected Articles

Theme	Supporting Articles	Main Findings
Macroeconomic Factors	Narayan et al. (2021); Vo et al. (2022)	Inflation, interest rates, exchange rates, and economic policies affect stock market stability and investment decisions.
Global Factors	Sharif et al. (2020); Yousaf et al. (2021); Goodell (2020)	Global stock market movements, world oil prices, and geopolitical risks affect domestic capital market volatility.
Market Sentiment	Baker et al. (2020); Cepoi (2020); Haroon & Rizvi (2020); Iyke & Ho (2021)	Investor sentiment, investor attention, and media coverage affect investment behavior and stock price movements.

Theme	Supporting Articles	Main Findings
Integrated Determinants	Phan & Narayan (2020); Vo et al. (2022)	The movement of stock indices is influenced by the interaction of economic factors, global factors, and investor behavioral responses.

The results of the synthesis show that macroeconomic factors are the most frequently studied determinants in the literature. However, recent research indicates that the influence of global factors and market sentiment is increasingly dominant after the COVID-19 pandemic, so that the movement of the JCI can no longer be explained only through domestic economic indicators.

3.2 The Influence of Macroeconomic Factors on JCI Movements

The results of the study show that macroeconomic factors are fundamental determinants that affect the movement of the JCI. Variables such as inflation, interest rates, exchange rates, money supply, and economic policy have a direct influence on investment decisions and stock valuations. Based on the perspective of the Efficient Market Hypothesis (EMH), relevant economic information will soon be reflected in the stock price so that changes in macroeconomic conditions will affect the movement of the market index as a whole.

Narayan et al. (2021) found that economic policies and government stimulus have a significant influence on the stock market response during periods of economic uncertainty. Meanwhile, Vo et al. (2022) show that economic policy uncertainty increases market volatility and influences investor behavior. These findings indicate that macroeconomic stability is an important factor in maintaining investor confidence in the Indonesian capital market.

In addition, the exchange rate and interest rate are also variables that are often associated with JCI movements. Weakening exchange rates tend to increase investment risk, especially for foreign investors, while rising interest rates can reduce the attractiveness of stock investment because investors have investment alternatives with lower levels of risk. Therefore, stable macroeconomic conditions are an important prerequisite for sustainable capital market growth.

3.3 The Influence of Global Factors on JCI Movements

The globalization of the financial market causes the movement of the JCI to be increasingly influenced by international economic dynamics. The results of the synthesis show that global stock indices, world oil prices, geopolitical risks, and economic conditions of major countries have a significant influence on the Indonesian capital market.

Sharif et al. (2020) found that fluctuations in world oil prices and geopolitical risks are closely related to stock market volatility. Meanwhile, Yousaf et al. (2021) show that the global stock market has a high level of interconnectedness so that shocks that occur in one market can quickly spread to other markets. These findings are reinforced by Goodell (2020) who explains that the COVID-19 pandemic has increased the integration of global financial markets and accelerated the transmission of risk between countries.

In the Indonesian context, this condition shows that investors not only consider domestic economic indicators, but also pay attention to global economic developments in making investment decisions. Therefore, JCI movements are increasingly sensitive to changes in international economic conditions, especially in a period marked by high global uncertainty.

3.4 The Influence of Market Sentiment on JCI Movements

In addition to fundamental and global factors, the results of the study show that market sentiment has an increasingly important role in explaining the movement of the JCI. The Behavioral Finance Theory perspective explains that investors do not always act rationally because investment decisions are often influenced by emotions, risk perceptions, and expectations of market conditions.

Baker et al. (2020) found that the uncertainty caused by the COVID-19 pandemic triggered a negative response of the stock market globally. Cepoi (2020) showed that the intensity of media coverage affects stock market volatility, while Haroon and Rizvi (2020) found that negative news can increase investor panic and exacerbate market pressure.

Research by Iyke and Ho (2021) shows that investor *attention* is an important indicator in explaining changes in stock prices and market returns. These findings show that the development of information technology and digital media has increased the role of market sentiment in shaping the dynamics of the modern capital market. Thus, the movement of the JCI is not only influenced by objective economic factors, but also by investors' perceptions and expectations of market conditions.

3.5 Discussion

The findings of this Narrative Literature Review indicate that the movement of the Jakarta Composite Index (JCI) during the 2020–2025 period cannot be adequately explained by a single determinant. Instead, JCI performance reflects the interaction of macroeconomic conditions, global economic developments, and investor sentiment. This finding extends previous studies that tend to examine these determinants separately and suggests the need for a more integrated perspective in understanding stock market dynamics in emerging economies.

From a macroeconomic perspective, inflation, interest rates, exchange rates, and economic policy remain fundamental drivers of stock market performance. Consistent with the Efficient Market Hypothesis (EMH), changes in these indicators provide information regarding future corporate profitability and economic stability, which are subsequently incorporated into stock prices. However, the literature reviewed in this study suggests that the influence of macroeconomic variables is not always dominant during periods of extreme uncertainty. During the COVID-19 pandemic, for example, investor reactions were often driven more strongly by uncertainty and expectations than by actual economic fundamentals. This indicates that the explanatory power of macroeconomic indicators may weaken during crisis periods when information asymmetry and uncertainty are exceptionally high.

The review also reveals that global factors have become increasingly influential in shaping JCI movements. The growing integration of international financial markets means that shocks originating outside Indonesia can rapidly affect domestic market performance. Studies by Sharif et al. (2020), Goodell (2020), and Yousaf et al. (2021) demonstrate that oil price fluctuations, geopolitical tensions, and global market volatility significantly affect investor behavior and stock market performance. These findings suggest that JCI is no longer influenced solely by domestic economic conditions but is increasingly exposed to external risks transmitted through global financial linkages. Consequently, policymakers and investors should pay greater attention to international developments when evaluating market prospects.

Another important finding is the growing role of market sentiment in explaining stock market behavior. Evidence from the reviewed studies indicates that investor attention, media coverage, and market expectations can significantly influence stock returns and volatility. This finding supports the Behavioral Finance perspective, which argues that investors do not always act rationally when processing information. During periods of uncertainty, negative news and pessimistic expectations may amplify market reactions beyond what would be justified by economic fundamentals alone. Therefore, market sentiment can act as an accelerator that strengthens the impact of both domestic and global shocks on stock market performance.

Based on the synthesis of the reviewed literature, this study proposes an Integrated JCI Determinant Model (IJDM) as a conceptual framework for understanding stock market dynamics. The model suggests that macroeconomic factors and global factors influence JCI both directly and indirectly through market sentiment. In this framework, market sentiment serves as a mediating mechanism that translates economic information into investor behavior and market reactions. As a result, identical economic events may produce different market outcomes depending on prevailing investor sentiment and expectations.

Furthermore, the review identifies several research gaps that warrant future investigation. Most existing studies employ linear econometric approaches and focus on direct relationships among variables. Future research should explore nonlinear dynamics, mediation effects, and machine learning approaches to better capture the complexity of stock market behavior. Empirical testing of the proposed Integrated JCI Determinant Model would also provide valuable evidence regarding the relative contribution of each determinant in explaining JCI movements under different economic conditions.

Overall, the findings suggest that understanding JCI movements requires a holistic perspective that integrates economic fundamentals, global market conditions, and behavioral aspects of investor decision-making. Such an approach is increasingly important in an era characterized by rapid information dissemination, financial market integration, and recurring episodes of global uncertainty.

4. CONCLUSION

This study aims to show and analyze the factors that affect the movement of the Jakarta Composite Index (JCI) through the Narrative Literature Review approach to ten Scopus indexed scientific articles published in the 2020-2025 period. The results of the literature synthesis show that the movement of the JCI is influenced by three main determinant groups, namely macroeconomic factors, global factors, and market sentiment. These three factors do not work independently, but interact with each other in shaping the dynamics of the Indonesian capital market. The findings of the study show that macroeconomic factors, such as inflation, interest rates, exchange rates, money supply, and economic policy, remain the main foundations that influence the stability and direction of stock market movements. However, recent developments in the literature show that the influence of global factors, including movements in international stock indices, world oil prices, geopolitical risks, and global economic uncertainty, is becoming more significant as international financial market integration increases. In addition, market sentiment reflected through investor attention, market expectations, and information disseminated through the media also plays an important role in influencing investment behavior and stock market volatility. Theoretically, this study strengthens the understanding that JCI movements cannot be explained only through a fundamental economic approach. The literature synthesis shows that the combination of macroeconomic factors, global factors, and investor sentiment provides a more comprehensive explanation of capital market dynamics. These findings support the integration of the Efficient Market Hypothesis and Behavioral Finance Theory in explaining how economic information and investor psychological factors simultaneously affect stock market movements. From a practical perspective, the results of the study provide implications for investors, investment managers, market analysts, and regulators to not only pay attention to domestic economic indicators, but also consider global economic developments and changes in market sentiment in the decision-making process. A more comprehensive understanding of these various determinants can help improve the quality of investment strategies, risk management, and capital market policy formulation. However, this study has limitations because it only uses ten Scopus indexed articles published during the period 2020-2025. Therefore, further research is recommended to expand the scope of the literature, involve more developing countries as the object of study, and develop a research model that integrates macroeconomic factors, global factors, market sentiment, and financial technology developments in one more comprehensive analytical framework.

Future research may also use an empirical approach or *meta-analysis* to obtain stronger evidence regarding the relative contribution of each factor to stock market movements. Thus, this study emphasizes that understanding the movement of the JCI requires a multidimensional approach that integrates economic, global, and investor behavior aspects to produce a more accurate and relevant capital market analysis in the face of the ever-evolving global economic dynamics.

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