ABSTRACT

This study discusses the correlation and volatility of the Nikkei index, Dow Jones and FTSE in the year 2006 - June 2010 by using the GARCH model is GARCH (1,1) for both contemporaneous and dynamic volatility volatility while for correlation using the correlation Pearson.

GARCH model will be conducted using three different methods namely Maximum Likelihood method, Normal (Gaussian) distribution with Marquadt optimization, the method of Maximum Likelihood Normal (Gaussian) using optimization Berndt-Hall-Hall-Hausman (BHHH) and Maximum Likelihood methods Generalized Error Distribution (GED) with optimization Berndt-Hall-Hall-Hausman BHHH, and dividing the period into three parts, namely the period of Growth, Crisis and Recovery.

PREFACE

Author give thanks to Almighty God for all His mercy, so that author can complete the thesis. This thesis partly done to meet academic requirements to obtain a Master degree in Management Tier Two of the Faculty of Economics, University of Pelita Harapan Surabaya.

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Finally, the author would like to thank, I hope this thesis can be useful and beneficial to development in the field of finance.

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Author