

ABSTRACT

The movement of the Composite Stock Price Index (CSPI) Indonesian Stock Exchange in the last three years is very encouraging. Capital market is regarded as one of the most effective means to accelerate the development of a country and also is one source of development financing

The purpose of this study was to examine the relationship between inflation and interest rate of SBI to stock return on textile firms in Indonesia Stock Exchange in 2004-2008.

The research is the correlational research (Correlational Study). This research is used to determine the relationship between inflation rates and Interest Rates on Stock Return. The data collection method in this research is of Library Studies (library research) Visiting Indonesia Stock Exchange website. With the population constitutes the entire textile companies which are listed in Indonesia Stock Exchange for four consecutive years.

From the results of linear regression analysis, showed good levels of partial inflation and SBI rates significantly influence stock returns. Likewise jointly SBI interest rates and inflation rates significantly influence stock returns. The author recommends to investors to keep monitoring the condition of the stock exchange because the rate of return depends on market conditions and the condition of the company's fundamentals.

This study also expected to provide inputs for investors to predict stock price growth and returns that listed at the Indonesian Stock Exchange especially in the textile company. And it can also be beneficial to the parties concerned in the Jakarta Stock Exchange, so it can provide historical information textile company stock