

ABSTRACT

The aims of this research is to prove the influence inflation to bond yield and bond price with BI rate as intervening variable. The data was collected from Bank Indonesia, Bursa Efek Indonesia, and Indonesian Bond Market Directory within quartal time series during the period 2019 Q1 to 2020 Q2. The sample were all corporate bond in sub – sector financial institution with partial least square as analysis method. Based on purposive sampling criteria was found 17 bonds using 11 issuer samples.

The result from partial test showed that inflation had significant and positive effect on BI rate. Inflation and BI rate had significant and positive effect on bond yield. Inflation does not showed any significant, yet showed negative effect to bond price. Then, BI rate and bond yield had significant and negative effect to bond price. Inflation had significant and positive effect on bond yield through BI rate. Inflation had significant and positive effect on bond yield through BI rate. Inflation had significant and negative effect on bond price through BI rate. Based on the research, investor should pay more attention on external and internal factor to avoid financial loss and achieve big profit. While to issuer needs to observe market condition and government policy to know when the right time to publish the bond.

Keyword: inflation, BI rate, bond yield, bond price, and partial least square.