

THE INFLUENCE OF MARKET TIMING AND STOCK SELECTION ON THE PERFORMANCE OF EQUITY MUTUAL FUNDS IN INDONESIA FOR THE PERIOD 2018-2023

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Abstract

This research aims to assess the capabilities of market timing and stock selection in the context of the performance of equity mutual funds, with a focus on return risk factors such as inflation and exchange rate. The Treynor-Mazuy Model is adopted as the main analytical framework, allowing researchers to consider the impact of these risk factors on the variables of market timing and stock selection in the performance of equity mutual funds. This research will gather secondary data from mutual fund firms in Indonesia, specifically focusing on the period from 2018 to 2023. The data is assessed via the use of multiple regression analysis utilizing the Eviews software. The aim of this study is to thoroughly examine the efficacy of market timing and stock selection, as well as the impact of return risk factors on the performance of stocks mutual funds throughout the chosen research period. The results of this research suggest that properly predicting the best time to buy or sell stocks does not significantly affect the performance of stock mutual funds. However, the careful selection of certain stocks does really have a substantial influence on their total success. The performance of stock mutual funds is greatly impacted by the market timing skills, especially when inflation acts as a moderator. Accurate prediction of market timing significantly affects the performance of stock mutual funds, especially when the exchange rate acts as a moderator. However, the capacity to choose individual stocks does not have a substantial impact on the performance of stock mutual funds when inflation is considered as a moderator. Nevertheless, the capacity to choose stocks has a substantial effect on the performance of mutual funds when the exchange rate functions as a moderator.

Keywords: Market Timing, Stock Selection, Inflation, Exchange Rate, Mutual Fund Performance, Treynor-Mazuy Model.

1. INTRODUCTION

Everyone needs to have the ability to manage finances well, and one of the strategies to ensure future finances is through investment. Investment is a financial activity that involves allocating resources for a certain duration to generate a financial gain. Investment activities are an important step in preparing for planned and unplanned needs, while maintaining the value of assets owned is not eroded by inflation (Hesary & Yoshino, 2020). Investments are made in the capital market which is the main financial system that facilitates Securities Trading, such as stocks and bonds, between investors and companies seeking financing (Budiono & Azis, 2020).

One type of investment that attracts the attention of the public is mutual funds. According to Elton & Gruber (2020) mutual funds are a type of collective investment in which funds from various investors are collected and managed by professional investment managers. Further, the funds are invested in various portfolios of securities, including stocks, bonds, money markets and other financial instruments.

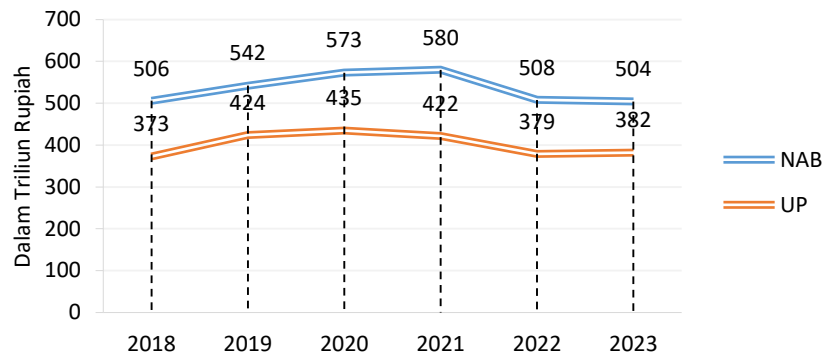


Figure 1: NAV/UP value in Indonesia 2018-2023

Source: OJK (2023)

Based on the figure above, it is known that the results of the NAV/UP value in Indonesia experience volatile results which tend to increase during 2018 to 2020 and in the following year have a value that continues to decline. Net Asset Value per Unit (NAV / UP) is an important parameter in the world of mutual funds. NAV per Unit measures the net asset value of a mutual fund broken down into participation units. NAV / UP is often referred to as the price value of an investment fund that reflects the overall performance of the mutual fund in question. (Tripathi & Japee, 2020). Another characteristic associated with mutual funds is evident when examining the performance statistics of stock mutual funds in comparison to the Jakarta Composite Index (JCI) in Indonesia from 2017 to 2022.

Table 1.1: performance of stock Mutual Fund Index compared to IHSG in 2017-2022

Year	Stock Mutual Fund Index			JCI		
	Beginning	Ending	%Change	Beginning	Ending	%Change
2017	5,348.96	5,880.48	9.9%	5,290.39	6,355.65	20.1%
2018	5,880.48	5,674.84	-3.5%	6,355.65	6,194.50	-2.5%
2019	5,674.84	4,892.54	-13.8%	6,194.50	6,299.54	1.7%
2020	4,892.54	4,548.13	-7.0%	6,299.54	5,979.07	-5.1%
2021	4,548.13	4,537.27	-0.2%	5,979.07	6,581.48	10.1%
2022	4,537.27	4,469.97	-1.5%	6,581.48	6,850.62	4.1%
2017-2022	5,348.96	4,469.97	-16.4%	5,290.39	6,850.62	29.5%

Source: Bareksa (2023)

Comparing the performance of the stock mutual fund index to that of the JCI, the data shown in Table 1.1 reveals that the JCI demonstrated superior performance than that of the stock mutual fund index. This conclusion can be drawn from the data. JCI maintained a stronger performance within the same period, but the performance of stock mutual funds exhibited a declining trend from 2018 to 2022. Competence in market timing and stock selection are two of the many factors that might have an impact on the success of mutual funds. The first factor

is a person's market timing ability. Market timing capability is the expertise or ability of a person or an entity in identifying and responding to changes in financial markets with the aim of entering or exiting an investment at a time deemed most favourable (Ji et al., 2021). Studies conducted by Alam & Ansari, (2020); Azis et al (2022); Bu, (2019); Budiono & Azis, (2020) explain that the ability of market timing owned by a person or institution can improve mutual fund investment performance.

The second factor is stock selection skills. Stock selection is a crucial step in mutual fund portfolio management, which involves a careful process of selecting individual stocks that will be part of the portfolio. This process includes an in-depth analysis of the historical, fundamental and growth potential performance of each stock, with the aim of building an optimal portfolio in accordance with the investment objectives and risk management strategies of the mutual fund. The selection of stocks in mutual funds reflects the approaches and policies of investment managers (Gao et al., 2021)

Market timing and stock selection factors are influenced by several aspects of the economy such as inflation and exchange rate in a country. Inflation can be defined as a condition in which the overall prices of goods and services in an economy increase continuously and continuously over a period of time (Gyimah et al., 2021). Meanwhile, the exchange rate, often known as the exchange rate, is the relative value that exists between two currencies and serves as the foundation for the process of exchanging one currency for another or converting one currency into another (Nicolescu et al., 2020). According to Azis et al (2022) inflation and the exchange rate are aspects that need to be considered in the market timing and stock selection process because they can change stock patterns and capital market conditions.

This research will be focused on the category of stock mutual funds. Stock mutual funds have a main characteristic with most of their portfolio invested in company stocks. This type of mutual fund offers high capital growth potential. Investing in stocks can provide gains through stock price appreciation over time (Mirza et al., 2020; Sanjaya et al., 2020; Yarovaya et al., 2020). According to data from the Financial Services Authority, there is a decrease in the number of share ownership of Indonesian people who invest in stock mutual funds. This is reflected in the data below.

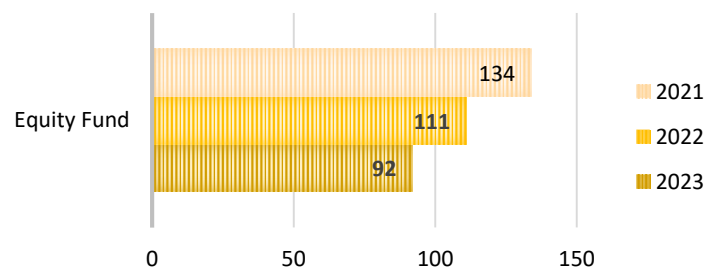


Figure 2: Data on the number of ownership of stock mutual funds in Indonesia in 2021-2023

Source: OJK (2023)

From the above data, it can be concluded that the performance of stock mutual funds shows a continuous decline from 2021 to 2023. The phenomenon can be caused by several factors such as volatile market conditions or economic uncertainty, making some investors feel uncomfortable and tend to avoid stock investments.

Another factor is that overall economic conditions, including economic growth rates, inflation rates, and employment, can affect investor confidence and interest in stock investments. And the most important factor is the low quality of mutual fund performance, this is because stock mutual funds are not able to provide good performance or even experience losses within a certain period of time, this can affect investor interest in these types of investments (Elton & Gruber, 2020).

The background of this research is focused on analysing the influence of market timing and stock selection capabilities on the performance of stock mutual funds in Indonesia in the period 2018-2023. Market timing, which refers to the ability to enter and exit the market in a timely manner, as well as stock selection, which deals with choosing the right stocks, were chosen as independent variables because both have significant potential in influencing investment results.

2. LITERATURE REVIEW AND HYPOTESIS DEVELOPMENT

2.1 Literature Review

2.1.1 Mutual Fund Performance

According to Elton & Gruber (2020) explains that mutual funds are a form of collective investment in which funds are collected from a number of different investors and managed by a professional investment manager.

2.1.2 Market Timing

Market timing skills refer to the ability of a person or entity to recognize and respond to changes in financial markets with the intention to make an investment or attract investment at a time when it is considered most favourable (Ji et al., 2021).

2.1.3 Stock Selection

According to Azis et al., (2022), Stock selection is the ability of micro-forecasting to predict stock price movements that may be too low or too high compared to the value of the stock as a whole.

2.1.4 Inflation

Inflation refers to the ongoing rise in the prices of goods and services within the economy. Put simply, the value of a currency decreases, causing each unit of currency to be able to purchase smaller amounts of goods and services. There are several factors that can contribute to inflation, such as an increase in the money supply, a situation where demand exceeds the supply of goods and services, and rising production costs (Utari et al., 2015).

2.1.5 Exchange Rate

The exchange rate is a measure of the relative price levels between two economies. The nominal exchange rate is used to convert units of account to express price levels in a single currency (Yang & Zeng, 2014).

2.1.6 Model Treynor Mazuy

The Treynor Mazuy Model is a nonlinear model that evaluates the performance of fund managers in terms of their ability to change market exposure in advance of market volatility (Rodríguez, 2008).

2.2 Hypothesis Development

Therefore, the following hypotheses are proposed:

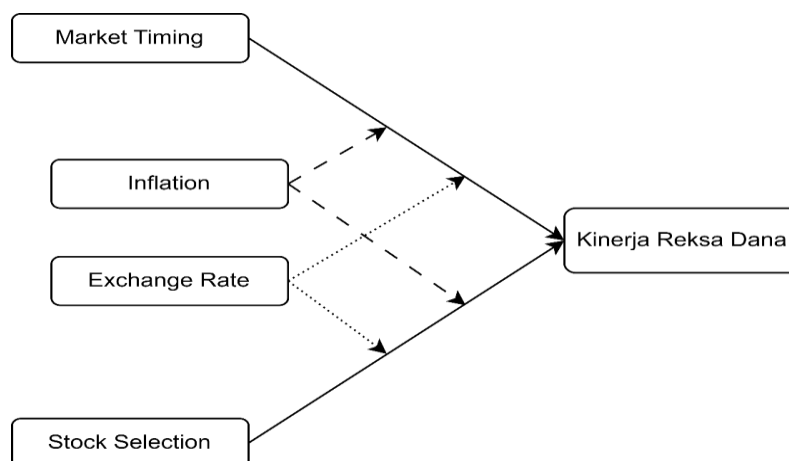


Figure 3: frame of mind

Hypothesis $H1_0$: There is no significant influence between the ability of market timing on the performance of mutual funds

Hypothesis $H1_1$: There is a significant influence between the ability of market timing on the performance of mutual funds

Hypothesis $H2_0$: There is no significant influence between the ability of stock selection on the performance of mutual funds

Hypothesis $H2_1$: There is a significant influence between the ability of stock selection on the performance of mutual funds

Hypothesis $H3_0$: There is no significant influence between the ability of market timing on the performance of mutual funds, when inflation acts as a moderator.

Hypothesis $H3_1$: There is a significant influence between the ability of market timing on the performance of mutual funds, when inflation acts as a moderator.

Hypothesis $H4_0$: There is no significant influence between the ability of market timing on the performance of mutual funds, when the exchange rate acts as a moderator.

Hypothesis $H4_1$: There is a significant influence between the ability of market timing on the performance of mutual funds, when the exchange rate acts as a moderator.

Hypothesis $H5_0$: There is no significant influence between stock selection ability on mutual fund performance, when inflation acts as a moderator.

Hypothesis $H5_1$: There is a significant influence between the ability of stock selection on the performance of mutual funds, when inflation acts as a moderator.

Hypothesis $H6_0$: There is no significant influence between the ability of stock selection on the performance of mutual funds, when the exchange rate acts as a moderator.

Hypothesis $H6_1$: There is a significant influence between the ability of stock selection on the performance of mutual funds, when the exchange rate acts as a moderator.

3. METHODOLOGY

This study is categorized as quantitative research employing a time series technique, which emphasizes the utilization of mathematical or statistical procedures to process and interpret numerical data. The research collects data from 2018 to 2023 and uses EViews 12 as the analytic tool. The performance of stock mutual funds is the dependent variable in this study. The primary determinants are market timing and stock selection, whilst the intermediate elements include inflation and exchange rates. The tests performed in this work encompass conventional assumption tests, such as normality, autocorrelation, multicollinearity, and heteroscedasticity testing. In addition, hypothesis testing was conducted, including tests for coefficient of determination, simultaneous tests, and partial tests.

4. RESULT AND DISCUSSION

4.1 Model Testing Techniques

Table 1: Statistic Descriptive

	Kinerja Reksa Dana_Y	Market timing_X1	Stock selection_X2	Inflasi_Z1	Exchange rate_Z2
Mean	-0.625838	6.830286	-0.014128	2.955%	Rp 14,556.77
Median	-0.480392	5.380907	-0.009435	3.115%	Rp 14,442.15
Maximum	2.142576	111.5333	0.084684	4.21%	Rp 15,193.00
Minimum	-5.657227	-43.05378	-0.197444	1.56%	Rp 14,146.30
Std. Dev.	0.948255	14.13992	0.025167	0.91%	Rp 371.7540

Descriptive data above can be concluded that the variable performance of mutual funds, market timing, stock selection data distribution is uneven and said to be less good while the variable distribution of inflation and exchange rate data evenly and can be said to be good.

Table 2: Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.968037	(143,716)	0.5874
Cross -section Chi-square	152.715060	143	0.2739

Based on the table above, it can be seen that the output of the chow Test is obtained that the chi square value is 0.2739 or > 0.05 . So it can be concluded that the best model is the Common effect model.

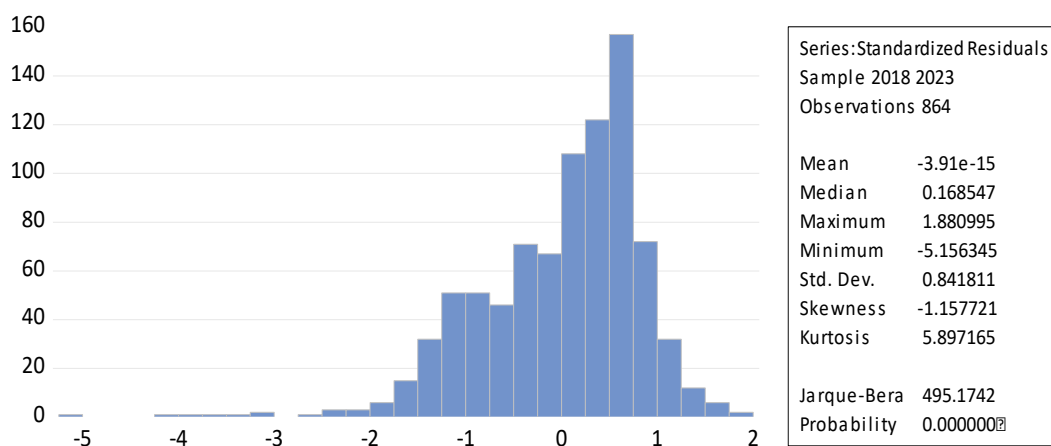
Table 3: Panel Test

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	0.741674	1.128318	0.657327	0.5111
Market timing (X1)	0.047545	0.002641	18.00482	0.0000
Stock selection (X2)	33.27326	1.387798	23.97557	0.0000
Inflation (Z1)	-0.334013	0.035687	-9.359623	0.0000
Exchange rate (Z2)	-1.62E-05	8.10E-05	-0.199515	0.8419
Root MSE	0.721329		R-squared	0.420679
Mean dependent var	-0.625838		Adjusted R-squared	0.417981
S.D. dependent var	0.948255		S.E of regression	0.723425
Akaike info criterion	2.196130		Sum squared resid	449.5520
Schwarz criterion	2.223685		Log likelihood	-943.7281
Hannan-Quinn criter.	2.206677		F-statistic	155.9426
Durbin-Watson stat	1.968983		Prob(F-statistic)	0.000000

If the constant value of 0.741674 then shows the dependent variable is fixed or constant value then the level of mutual fund performance of 0.741674 2) the value of the market timing coefficient (X1) is 0.047545. If the value of X1 increases by one unit, the performance of the Mutual Fund (Y) will increase by 0.047545 assuming other variables remain. 3) the value of Stock selection coefficient (X2) is 33.27326. If the value of X2 increases by one unit, the performance of the Mutual Fund (Y) will increase by 33.27326 assuming other variables remain. 4) the value of the inflation coefficient (Z1) is -0.334013. If the value of Z1 increases by one unit, the performance of the Mutual Fund (Y) will increase by -0.334013 assuming other variables remain. 5) the value of the Exchange rate coefficient (Z2) is -1.62 E-05. If the value of Z2 increases by one unit, the performance of the Mutual Fund (Y) will increase by -1.62 E-05 assuming other variables remain.

4.2 Classical Assumption Test

4.2.1 Normality Test



Source: output results processed with EViews 12 (2024)

Normality test shown in Table 4.1 in this study shows that the probability value (p-value) is less than 0.05. The standard interpretation of the p-value in a normality test is that if the p-value is less than 0.05, this means that the data follows a normal distribution.

Table 4: Autocorrelation Test

Root MSE	0.721329	R-squared	0.420679
Mean dependent var	-0.625838	Adjusted R-squared	0.417981
S.D. dependent var	0.948255	S.E of regression	0.723425
Akaike info criterion	2.196130	Sum squared resid	449.5520
Schwarz criterion	2.223685	Log likelihood	-943.7281
Hannan-Quinn criter.	2.206677	F-statistic	155.9426
Durbin-Watson stat	1.968983	Prob(F-statistic)	0.000000

Source: output results processed with EViews 12 (2024)

To confirm whether there is autocorrelation or not is to use the equation $DU < DW < 4 - DU$. The result of the equation is $1.8009 < 1.968983 < 2.5286$. So it can be concluded that there are no symptoms or problems of autocorrelation in the research model.

Table 5: Heteroskedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	0.088690	0.002379	37.27645	0.0000
D(X1_Market Timing)	0.000473	0.000251	1.885975	0.0597
D(X2_Stock Selection)	-0.185027	0.104649	-1.768070	0.0775
D(Z1_Inflation)	-0.000171	0.002607	-0.065435	0.9478
D(Z2_Exchange Rate)	-3.72E-06	7.49E-06	-0.496892	0.6194

Source: output results processed with EViews 12 (2024)

The result of the heteroscedasticity test is determined to be not less than 0.05 or > 0.05 . Based on the table, the Prob value of each variable is greater than 0.05, so it can be concluded that this study is free from heteroscedasticity problems. Then the test of the classical assumption of heteroscedasticity in this study is met.

Table 6: Multicollinearity Test

Variable	Market Timing	Stock Selection	Inflation	Exchange Rate
X1_ Market Timing	1.000000	-0.688276	0.377612	0.023166
X2_ Stock Selection	-0.688276	1.000000	-0.120849	0.136185
Z1_ Inflasi	0.377612	-0.120849	1.000000	0.533564
Z2_ Exchange Rate	0.023166	0.136185	0.533564	1.000000

Based on multicollinearity test using correlation matrix can be seen that all independent variables, namely Market timing (X1), Stock selection (X2) and variable inflation moderation (Z1), Exchange rate (Z2) does not occur multicollinearity problem. This is because the correlation values between each independent variable are all less than 0.9.

Table 7: Statistic Test

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	0.741674	1.128318	0.657327	0.5111
Market timing (X1)	0.047545	0.002641	18.00482	0.0000
Stock Selection (X2)	33.27326	1.387798	23.97557	0.0000

There is a significant influence of market timing and stock selection variables on the performance of mutual funds with a probability value of 0.000. This implies that these factors are critical in shaping the outcomes of mutual fund performance.

Table 8: Simul tan Test

Root MSE	0.721329	R-squared	0.420679
Mean dependent var	-0.625838	Adjusted R-squared	0.417981
S.D. dependent var	0.94825	S.E of regression	0.723425
Akaike info criterion	2.196130	Sum squared resid	449.5520
Schwarz criterion	2.223685	Log likelihood	-943.7281
Hannan-Quinn criter.	2.206677	F-statistic	155.9426
Durbin-Watson stat	1.968983	Prob(F-statistic)	0.000000

From the test results provided, it is evident that the Prob.(F-statistic) value is 0.000000 or lower than the alpha value of < 0.05 . Thus, the test findings indicate that both the independent variables, Market Timing and Stock Selection, have a simultaneous impact on the performance of mutual funds.

Table 9: Determinant Coefficient Test

Root MSE	0.721329	R-squared	0.420679
Mean dependent var	-0.625838	Adjusted R-squared	0.417981
S.D. dependent var	0.948255	S.E of regression	0.723425
Akaike info criterion	2.196130	Sum squared resid	449.5520
Schwarz criterion	2.223685	Log likelihood	-943.7281
Hannan-Quinn criter.	2.206677	F-statistic	155.9426
Durbin-Watson stat	1.968983	Prob(F-statistic)	0.000000

From the test results provided, it is evident that the R-squared value is 0.420679, which means that 42.06% of Indonesian stock mutual fund performance variables are influenced by market Timing, Stock Selection variables. As for the rest (100% -42.06%) 57.94% is the contribution of other variables outside the study.

4.3 Testing The Hypothesis Of Interaction Between Variables

Table 10: Effect of Market timing on stock mutual fund performance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.616654	0.035844	-17.20365	0.0000
Market Timing_X1	-0.001345	0.002284	-0.588752	0.5562
Root MSE	0.947515	R-squared	0.000402	
Mean dependent var	-0.625838	Adjusted R-squared	-0.000758	
S.D. dependent var	0.948255	S.E of regression	0.948614	
Akaike info criterion	2.734682	Sum squared resid	775.6863	
Schwarz criterion	2.745704	Log likelihood	-1179.383	
Hannan-Quinn criter.	2.738901	F-statistic	0.346628	
Durbin-Watson stat	1.876153	Prob(F-statistic)	0.556182	

The analytical findings suggest that Market Timing does not have a substantial impact on the performance of the mutual funds in the sample. This implies that there may be other variables that have a greater influence on deciding the success of mutual funds.

Table 11: Effect of Stock Selection on Mutual Fund Performance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.395336	0.033372	-11.84646	0.0000
Stock selection_X2	16.31498	1.156765	14.10397	0.0000
Root MSE	0.854251	R-squared	0.187499	
Mean dependent var	-0.625838	Adjusted R-squared	0.186557	
S.D. dependent var	0.948255	S.E of regression	0.855241	
Akaike info criterion	2.527446	Sum squared resid	630.4992	
Schwarz criterion	2.538468	Log likelihood	-1089.857	
Hannan-Quinn criter.	2.531665	F-statistic	198.9221	
Durbin-Watson stat	1.704072	Prob(F-statistic)	0.000000	

In summary, the findings of this investigation indicate that the selection of stocks has a substantial and favorable impact on the performance of mutual funds. Consequently, the skill of fund managers in selecting appropriate equities has the potential to significantly enhance the overall performance of mutual funds.

Table 12: Effect of Market timing on mutual fund performance with Inflation Moderator

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.020584	0.106194	-0.193838	0.8463
Market Timing_X1	-0.096906	0.010903	-8.887909	0.0000
Inflation_Z1	-0.244648	0.036499	-6.702969	0.0000
Market Timing_Inflation	0.031136	0.003312	9.400428	0.0000
Root MSE	0.889490	R-squared		0.119083
Mean dependent var	-0.625838	Adjusted R-squared		0.116010
S.D. dependent var	0.948255	S.E of regression		0.891556
Akaike info criterion	2.612922	Sum squared resid		683.5901
Schwarz criterion	2.634966	Log likelihood		-1124.782
Hannan-Quinn criter.	2.621360	F-statistic		38.75179
Durbin-Watson stat	2.152317	Prob(F-statistic)		0.000000

Based on this study, it can be concluded that inflation serves as a quasi-moderator in the impact of Market Timing on the performance of mutual funds. This implies that inflation has a substantial impact on the efficacy of market timing tactics.

Table 13: Effect of Market Timing on mutual fund performance with exchange rate Moderator

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.068820	1.359214	5.936389	0.0000
Market Timing_X1	-0.835056	0.076864	-10.86403	0.0000
Exchange Rate_Z2	-0.000599	9.35E-05	-6.412116	0.0000
Market Timing_Exchange Rate	5.76E-05	5.31E-06	10.85157	0.0000
Root MSE	0.887908	R-squared		0.122213
Mean dependent var	-0.625838	Adjusted R-squared		0.119151
S.D. dependent var	0.948255	S.E of regression		0.889971
Akaike info criterion	2.609362	Sum squared resid		681.1609
Schwarz criterion	2.631406	Log likelihood		-1123.244
Hannan-Quinn criter.	2.617800	F-statistic		39.91233
Durbin-Watson stat	2.024975	Prob(F-statistic)		0.000000

In conclusion, based on this analysis, it can be said that the Exchange Rate acts as a pure moderator in the influence of Market Timing on the performance of mutual funds. This indicates that the impact of Market Timing on mutual fund performance is conditional on fluctuations in the Exchange Rate.

Table 14: Effect of Stock Selection on mutual fund performance with inflation Moderator

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.094190	0.100245	-0.939606	0.3477
Stock Selection X2	5.344601	5.783544	0.924105	0.3557
Inflation Z1	-0.098104	0.033548	-2.924311	0.0035
Stock Selection Inflation	3.734554	2.023450	1.845637	0.0653
Root MSE	0.846022	R-squared		0.203078
Mean dependent var	-0.625838	Adjusted R-squared		0.200298
S.D. dependent var	0.948255	S.E. of regression		0.847987
Akaike info criterion	2.512716	Sum squared resid		618.4103
Schwarz criterion	2.534760	Log likelihood		-1081.493
Hannan-Quinn criter.	2.521153	F-statistic		73.05057
Durbin-Watson stat	1.782548	Prob(F-statistic)		0.000000

In summary, our research indicates that Inflation serves as a moderator predictor in the impact of Stock Selection on mutual fund performance.

Table 15: Effect of Stock Selection on mutual fund performance with exchange Rate Moderator

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.653963	1.529278	-0.427628	0.6690
Stock Selection X2	-292.8184	78.43884	-3.733079	0.0002
Exchange Rate Z2	2.28E-05	0.000106	0.216009	0.8290
Stock Selection Exchange Rate	0.021729	0.005504	3.948144	0.0001
Root MSE	0.841323	R-squared		0.211904
Mean dependent var	-0.625838	Adjusted R-squared		0.209155
S.D. dependent var	0.948255	S.E. of regression		0.843278
Akaike info criterion	2.501578	Sum squared resid		611.5607
Schwarz criterion	2.523622	Log likelihood		-1076.682
Hannan-Quinn criter.	2.510015	F-statistic		77.07943
Durbin-Watson stat	1.736397	Prob(F-statistic)		0.000000

Based on this study, it can be concluded that the Exchange Rate plays a quasi-moderating role in the impact of Stock Selection on the performance of mutual funds.

4.4 Discussion Of Data Analysis Results

Effect of Market timing on stock mutual fund performance

Market Timing Ability has no influence on the performance of mutual funds. This shows that as a whole from the sample of mutual funds used in this research period, investment managers in adjusting the stock Selection portfolio of investment instruments by buying or selling shares have not been able to predict the time to overcome changes in stock prices that may occur

(Dewi & Nurwulandari, 2022). Knowledge of the market that is experiencing a bullish or bearish state is needed to assist investment managers in selling and buying stocks on time (Azis et al., 2022).

This indicates that efforts to perform Market Timing, In this context, may not be effective in improving mutual fund performance. Therefore, investors may need to consider other strategies in managing their mutual fund portfolio (Anugrah, 2019).

Effect of Stock Selection on Mutual Fund Performance

The investigation demonstrates that Stock Selection exerts a substantial and favorable impact on the performance of mutual funds. Consequently, the skill of fund managers in selecting appropriate equities has the potential to significantly enhance the performance of mutual funds. Hence, a proficient Stock Selection method may serve as the crucial factor for achieving success in handling a mutual fund portfolio and delivering additional benefits to investors (Lailiyah & Setiawan, 2020).

This suggests that investment managers have a strong aptitude for evaluating stocks that are cheap. The skill of choosing stocks is intricately linked to the proficiency in conducting fundamental research of assets. The investment manager of the venture mutual fund shares in Stock Selection, which adds to a favorable portfolio return. The investment manager's stock selection directly impacts the success of the stock mutual fund in delivering the anticipated return. The performance of an investment manager might captivate the attention of investors who are interested in investing in mutual funds that are managed by the said investment manager (Sabila, 2019).

Effect of Market timing on mutual fund performance with Inflation Moderator

According to this data, it can be concluded that inflation has a significant role in moderating the impact of Market Timing on the performance of mutual funds. To clarify, while market timing alone does not have a substantial impact on mutual fund performance, the combination of market time and inflation has a considerable influence on Mutual Fund Performance. This demonstrates that the skill of investment managers to engage in Market Timing becomes increasingly significant in situations characterized by fluctuating inflation (Ismanto, 2020).

Inflation is able to affect the performance of a company that leads to changes in stock prices, where the high and low inflation rate means that the level of stock prices in a company has increased or decreased (Nurhidayah., et al 2022).

Effect of Market Timing on mutual fund performance with exchange rate Moderator

According to this research, the Exchange Rate functions solely as a moderator in the impact of Market Timing on the performance of mutual funds. To clarify, while Market Timing alone does not have a substantial direct impact on the performance of mutual funds, the interplay between Market Timing and Exchange rates does have a major effect on mutual fund performance. This demonstrates that the skill of investment managers to engage in Market Timing becomes increasingly significant during periods of fluctuating currency rates (Marissa & Yuliana 2023).

The exchange rate variable does not affect the Market Timing directly but the results obtained through the interaction of Exchange Rate and Market Timing where the Exchange Rate is able to moderate the Market Timing of the performance of stock mutual funds in Indonesia (Triuspitorini & Setiawan 2020).

Effect of Stock Selection on mutual fund performance with inflation Moderator

According to this study, it can be concluded that Inflation has a role in moderating the impact of Stock Selection on mutual fund performance. Therefore, the performance of mutual funds is directly and strongly influenced by the ability to choose stocks, whereas the impact of inflation does not mitigate this connection. Contrarily, inflation functions alone as an independent factor that impacts the performance of mutual funds independently of the stock selection skill (Sari, 2023).

According to this theory, inflation has a moderating effect on Stock Selection. Inflation is defined as a general increase in the prices of goods and services. The presence of increasing inflation will affect the decrease in the performance of stock mutual funds and vice versa. Inadequate inflation will lead to a decline in investor enthusiasm for investing in an investment asset (Sari, 2023)

Effect of Stock Selection on mutual fund performance with exchange Rate Moderator

According to this research, the Exchange Rate functions as a quasi-moderator in the impact of Stock Selection on the performance of mutual funds. The performance of mutual funds is directly and considerably influenced by the skill of Stock Selection, and this impact is further enhanced or adjusted by Exchange Rate circumstances. Put simply, the performance of mutual funds is greatly influenced by the interplay between investment managers' stock selection abilities and fluctuations in currency exchange rates (Febriyani, et al., 2021).

The Exchange Rate is able to moderate Stock Selection where the manager can choose the right stock in the portfolio that will be owned so that this will affect the performance of stock mutual funds, because at this time the existing investment instruments in stock mutual funds have been very widespread in the distribution of domestic companies. Therefore, domestic investment instruments have been used so that changes in exchange rates have an influence on the growth of stock mutual funds in Indonesia (Febriyani, et al., 2021).

5. CONCLUSION

1. The ability of Market Timing has no significant effect while Stock Selection has a significant effect on the performance of stock mutual funds in Indonesia during the period 2018-2023.
2. The results highlight the significance of internal variables, specifically the managers' capacity to choose promising equities that might enhance the performance of mutual funds. Furthermore, the capacity of managers to strategically determine the optimal timing for entering and exiting the market has been found to lack any substantial impact on the performance of mutual funds. Nevertheless, external variables such as inflation and exchange rates can serve as moderators, indicating that inflation can impact the correlation

between Market Timing ability and mutual fund performance, while exchange rates can moderate the connection between market timing ability and Stock Selection ability in relation to mutual fund performance.

3. Inflation and exchange rates can moderate the relationship between investment capability and mutual fund performance highlighting the importance of considering macroeconomic factors in investment decision making.
4. The implications of this study emphasize the importance for investment practitioners to integrate macroeconomic analysis in their investment strategies, as well as improve skills in managing portfolios adaptively to changes in the investment environment.

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