



**THE RELATIONSHIP BETWEEN MALAYSIA
CRUDE OIL PRICES, MACROECONOMIC
VARIABLES AND THE ISLAMIC STOCK
MARKET IN MALAYSIA:
EVIDENT FROM FTSE BURSA MALAYSIA
EMAS SHARIAH INDEX**

NOORSHILA BINTI MOHD ZAIN

2012954107

BACHELOR OF BUSINESS ADMINISTRATION

(HONS) FINANCE

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

JOHOR

DECEMBER 2014



**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
JOHOR**

“DECLARATION OF ORIGINAL WORK”

I, Noorshila Binti Mohd Zain, (I/C Number: 910129-01-5522)

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees.
- This project paper is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____

Date: 7th December 2014

LETTER OF SUBMISSION

7th December 2014

The Program Coordinator
Bachelor of Business Administration (Hons) Finance
Faculty of Business Management
Universiti Teknologi MARA
85009 Segamat
Johor.

Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “THE RELATIONSHIP BETWEEN MALAYSIA CRUDE OIL PRICES, MACROECONOMIC VARIABLES AND THE ISLAMIC STOCK MARKET IN MALAYSIA: EVIDENT FROM FTSE BURSA MALAYSIA EMAS SHARIAH INDEX” to fulfill the requirement as needed by the Faculty of Business Management, University Teknologi MARA.

Thank you

Yours sincerely

NOORSHILA BINTI MOHD ZAIN
2012954107
Bachelor of Business Administration (Hons) Finance

ACKNOWLEDGEMENT

First of all, Alhamdulillah I had finish writing this final report of my thesis. I would like to take this opportunity to thank my advisor, Dr. Faridah Najuna Binti Misman for her kindness to guide and help me from the start until the very end. I finally succeeded to finish my work. I would like also to my family and all my friends who gave full support to me in completing my final task. From the bottom of my heart, I'm grateful.

Thank you very much.

ABSTRACT

This paper attempts to investigate the relationship between crude oil price, macroeconomic variables and the Islamic stock market in Malaysia. The independent variables are Malaysia crude oil price, Malaysia inflation rates and exchange rates of Ringgit Malaysia per US Dollar. The dependent variable is FTSE Bursa Malaysia Emas Shariah Index (FBMES). To identify the factors that affect the Islamic stock market performance in Malaysia, this study applied the Ordinary Least Square (OLS) method and Granger causality test using the monthly data over the period of January 2008 until January 2014. The OLS method results suggest that the crude oil price has a positive significant relationship with the FBMES prices while inflation rates and exchange rates have a positive but do not significant with the FBMES. The overall result of Granger causality test suggest that only exchange rates granger causes the Islamic stock prices while the Islamic stock prices only Granger causes inflation rate. Thus, OLS method suggests that factor affect FBMES the most is the Malaysia crude oil prices while Granger Causality Test suggests that the exchange rate of Ringgit Malaysia per US Dollar granger causes Islamic stock market in Malaysia.