



**“A STUDY ON MARKET INTERDEPENDENCE OF FUTURES  
MARKETS WITH ITS UNDERLYING ASSETS: ANALYSIS ON  
LATIN AMERICA DEVELOPED & EMERGING MARKET”**

**(CANADA, MEXICO AND UNITED STATE)**

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BANDARAYA MELAKA**

**MAY 2011**

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LATIN AMERICA DEVELOPED & EMERGING MARKET”**

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**Submitted in Partial Fulfilment of the Requirement for  
the Bachelor of Business Administration  
(Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT  
UITM, BANDARAYA MELAKA**

**MAY 2011**

## **DECLARATION OF ORIGINAL WORK**



**BACHELOR OF BUSINESS ADMINISTRATION  
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### **“DECLARATION OF ORIGINAL WORK”**

I, NURUL HIDAYAH BINTI HAMID, 2008332961

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 others degrees.
- This project paper is the result of my independent work and investigation, except where otherwise stated.
- All verbalism extract have been distinguished by quotation marks and source of my information have been specifically acknowledged.

Signature: .....

Date: .....

**LETTER OF SUBMISSION**

9<sup>TH</sup> MAY 2011

The Head of Program  
Bachelor of Business Administration (Hons) Finance  
Faculty of Business Management  
Universiti Teknologi MARA  
72400 Bandaraya Melaka  
Melaka

Dear Madam,

**SUBMISSION OF PROJECT PAPER**

Attached is the project paper Titled “A Study on Market Interdependence of Futures Markets with Its Underlying Assets: Analysis on Latin America Developed and Emerging Market” to fulfill the requirement as needed by the Faculty of Business Management, University Technology MARA.

Thank You

Your Sincerely,

.....

**NURUL HIDAYAH BINTI HAMID**

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Bachelor of Business Administration (Hons) Finance

## ABSTRACT

There are many research have been conduct in order to investigate the relationship between spot and futures market in Latin America region. The objective of the investigation is to identify the market interdependence relationship between the futures and spot market in the Latin America which is Canada, Mexico and United State. The study use Single Linear regression Model in order to find the relationship among stock market index and to describe the relationship between a single dependent variable  $y$  and a single independent variable  $x$ . The Canada use S&P 60 Index, IPC stock index is from Mexico country while United State use S&P 500 stock Index for the spot and futures Market. The weekly closing price of stock index and weekly settlement price from 1st January 2005 until 31<sup>st</sup> December 2010 are collected from the data stream. The result shows that there is bidirectional relationship between Canada stock Market, Mexico stock market and United State stock market. Furthermore, the result also evidence that there are significance relationship between spot and futures index in three of the country Canada, Mexico and United State. On the other hand, the result from this study has some potential to be used by the market analyst for predicting country market movement and also useful to regulators of stock markets in regulating policies to control the price relationship between those markets.