



FACTORS INFLUENCE BOND PRICE IN MALAYSIA MARKET

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APRIL 2011



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“DECLARATION OF ORIGINAL WORK”

I, Nur Diana Bt Ramlan, (I/C: 881122-23-5506)

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: _____

LETTER OF SUBMISSION

APRIL 2011

The Head of Program

Bachelor of Business Administration (Hons) Finance

Faculty of Business Management

Universiti Teknologi MARA

Melaka City Campus

Melaka.

Dear Madam,

SUBMISSION OF PROJECT PAPER

Attached is the project paper entitled "THE FACTORS INFLUENCE CHANGES OF BOND PRICE IN MALAYSIA" to fulfil the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you

Yours sincerely,

NUR DIANA BT RAMLAN

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Abstract.

In late 1990s corporate bond plays a significant role in stabilizing financial systems and economic growth. It emerged as an alternative option for acquiring funds from large number of public at the market rate (Nozue, 2007). Bonds consist of paper having a stated amount of coupon rate, maturity time and face value. It is categorized as debt because of its interest feature and superior nature at the time of liquidation. The main purpose of this study is to determine the factors that affect the bond price in Malaysia bond market. This study, suggest that the factors that influence bond price are inflation rate, interest rate and yield to maturity(bond yield) of the bond. The study shown that, there are significant relationship between the factors and bond price. The bond price has positive relationship with the inflation and inverse relationships with interest rate and bond yield. Interest rates are found to be the most factors that influence the bond price volatility.

Keywords: Bond price, inflation rate, interest rate, bond yield

Paperwork type: Correlation Studies (Mode B)