



**A STUDY ON FACTORS THAT EFFECT BOND  
PRICE VOLATILITY IN MALAYSIA BOND  
MARKET**

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**APRIL 2011**

## DECLARATION OF ORIGINAL WORK



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I *Nur Hafsa Bt Dan*, Ic Number: 881020045226

Hereby declare that:

- This work 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 extract have been distinguish by quotations marks and sources of my information have been specifically acknowledge.

Signature:

Date:

**LETTER OF SUBMISSION**

27 April 2011

The Head of Program  
Bachelor of Business Administration (Hons) Finance  
Faculty of Business Management  
University Technology Mara  
Kampus Bandaraya Melaka

Dear Madam,

**SUBMISSION OF PROJECT PAPER**

Attached is the project paper titled “A STUDY ON FACTORS THAT AFFECT BOND PRICE VOLATILITY IN MALAYSIA BOND MARKET” to fulfil the requirement as needed by University Technology MARA.

Thank you.

Yours sincerely,

.....

Nur Hafsah Bt Dan

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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 liquation. The main purpose of this study is to determine the factors that affect the bond price volatility in Malaysia bond market. This study, suggest that the factors are maturity of the bond, market interest rate and yield to maturity of the bond. The study shown that, there are significant relationship between the factors and bond price volatility. The bond price has positive relationship with the maturity and inverse relationships with interest rate and yield to maturity of the bond. Interest rates are found to be the most factors that influence the bond price volatility.

Keywords: Bond price, maturity, interest rate and yield to maturity

Paperwork type: Correlation Studies (Mode B)