



**MACROECONOMICS FACTOR DETERMINE
MALAYSIA GOVERNMENT SECURITIES
YIELD SPREAD**

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ABSTRACT

Malaysian bond market experiencing a rapid development and become an important backup plan for the government during the economic turmoil, but not much is understood about the macroeconomic factors that can influence the Ringgit Malaysia denominated bond's yield spread. Based on Asset Pricing Theory and multifactor model, this study investigate the impact of four macroeconomic factors namely: Inflation rate, Interest rate, MYR/USD exchange rate and stock market index on government bond yield spread for a period from quarter 1 2003 to quarter 4 2015. The study found that inflation rate and interest rate in the major driven for the narrowing or widening of the government bond yield spread as indicates in YGS1 and YGS5 in Model I and Model II. However, MYR/USD exchange rate and local stock market index found to be insignificant to influence the government bond yield spread as indicates in YGS1, YGS3 and YGS 5 for all the models.