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DYNAMIC RELATIONSHIP BETWEEN EXCHANGE RATE AND
MALAYSIAN STOCK MARKET INDEX

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JANUARY 2016

ACKNOWLEDGEMENT

First of all, I am grateful to the God for the good health and wellbeing that were necessary to complete this thesis book.

I wish to express my sincere thanks to my advisor Madam Rapheedah Musneh, for providing me with all necessary facilities for the research and also guiding me to complete this research from zero knowledge until I got everything according what this research requirement. A full support from her to complete this thesis book was giving me a lot of strength to finish my research study. A special thanks also to my second advisor, Mr. Shamlie Salisi for his guidance and good comments during my Viva Voce Presentation and a lot of encouragements was given. I also not forgot to give my thanks to Miss Nurziya binti Muzzawer for her additional guidance to using E-Views software and a lot of advice on how to make a good presentation during Viva Voce.

I also would like to gives my special thank you to both of my father and mother for their supports in term of financial and advice to finish this thesis.

Last but not least, I would like to thanks to all of my friends that directly or indirectly to help and assist me in which every single term of information during the process to complete and finish my study.

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Abstract

According to Aydemir and Demirhan (2009), Since 1980s globalization, between linkages of the capital markets, continuous evacuation of capital inflow hindrances and the execution of more adaptable conversion scale instrument in created and additionally move economies, made an efficient interdependency between and inside of the stock and outside trade markets.

Therefore, a study on the dynamic relationship between exchange rate and stock market index in Malaysia over the period 2005 until 2014 will give a good knowledge and insight as well as to know whether the relationship of both of the exchange rate and stock market index contribute in the economics of the country. In other side, a positive relationship between exchange rate and stock market index will enhancing and stimulate a stable financial system in long term period. However, the current results of this study suggest that the exchange rate and stock market index in Malaysia tend to negative relationship on the period under study.