



**THE RELATIONSHIP BETWEEN STOCK MARKET RETURN WITH INTEREST
RATE AND INFLATION IN MALAYSIA**

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DEC 2016

ACKNOWLEDGEMENTS

To finish this thesis, I am received assistance from many people around me particularly my advisor, Madam Yvonne Joseph Ason. I might want to express gratitude toward her on account of her direction and consistent bolster, I can finish my thesis. I know each oversight that I have made along this study and she generally there to right me. Without backing and precious, I would have face part of unsettled issue and it influencing my study. On account of her and may God favor her.

Besides, I would like to give appreciation to my family. Thank you to my greatest father and my mother, who always give support in my study and willing to provide money for me to accomplish my study. I would like to dedicate this study for them with hope that they will feel proud and with the result of my study.

I realize that many people involve and help to finish this study accomplish especially my classmate. We always exchange our knowledge and opinion so that our thesis can be as perfect as it can. Without them, it will be hard for me to finish this thesis.

Lastly, I would like to thank Assoc. Prof Dr. Imbarine Bujang for the knowledge that he has gave me especially during my subject which is MGT 646, Quantitative Research Methods. The subject helps me a lot in completing this study. With all of the knowledge and encouragement that he gave during class makes me feel excited and interested to learn more in research area.

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ABSTRACT

Abstract: Economists and investor alike have to debate whether interest rate and inflation have a relationship with stock market return or vice versa. The point of argument being if the interest rate and inflation has an impact on volatility of stock prices and eventually the stock market return. The aim of this paper to examine either Stock Market Return in Malaysia influence by Interest rate and inflation using monthly data covering the period January 2006 until December 2015. Secondary data were collected from the data stream database, Bursa Saham Malaysia and Bank Negara Malaysia. The previous researcher found that the interest rate a negative effect on stock returns and inflation rate can be a negative relationship towards stock return but it still significant. However, there some of them were says that there has no significant relationship of stock market return towards interest rate and inflation. Based on the finding of study, it show that KLCI return and interest rate have insignificant negative relationship and inflation have significant negative relationship. Otherwise, this study also established that a long-run relationship exist between dependent variable: Kuala Lumpur Composite Index and interest rate and inflation.

Keywords: Kuala Lumpur Composite Index, Interest Rate, Inflation