THE RELATIONSHIP OF INTEREST RATE, INFLATION RATE AND EXCHANGE RATE TOWARDS STOCK MARKET IN MALAYSIA

SITI SYAFIQAH BINTI SYED ZAINUDDIN

2013546135

BACHELOR OF BUSINESS ADMINISTRATION (HONS) (FINANCE)

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITY TEKNOLOGI MARA

MALACCA CITY CAMPUS

DECEMBER 2015

BACHELOR OF BUSINESS ADMINISTRATION

(HONS) FINANCE

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

MELAKA

DECLARATION OF ORIGINAL WORKS

I, SITI SYAFIQAH BINTI SYED ZAINUDDIN,

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 others degrees.

This project paper is the result of my independent work and investigations, except where otherwise stated.

All verbalism extract have been distinguished by quotation and sources of my information have been specifically acknowledge.

Signature:

Date:

ACKNOWLEDGMENTS

In the name of Allah, the Most Compassionate, the Most Merciful

Praise be to Allah the Al-Mighty for giving me the strength and patience to complete this study within the period given.

I would like to express my sincere gratitude to my advisor, Madam Rohaiza Binti Kamis, for her continuous encouragement, invaluable suggestions, patient guidance and supporting me with kindness, sympathy and academic enthusiasm. Her forceful comments and meticulous directions were a constant source of inspiration to my research that immensely improved the quality of this project paper.

I also would like to take this opportunity to deliver my deepest indebtedness to my parents for their patience, support and guidance for this research.

Not forget, great appreciation go to my friends that help me from time to time during the research. The whole research really brought us together to appreciate the true value of friendship and respect of each other.

Great deals appreciated go to the contribution of my faculty - Faculty of Business Management (Finance). Apart from that, I hope that all the information and data that I have gathered here will give the knowledge to anyone who will be accessing it regarding the study on the The Relationship of Stock Market among Interest Rate, Inflation Rate and Exchange Rate . It would be a great honor to us if it is used as a reference or for any other good cause.

Finally, I would like to extend this appreciation to all that have directly and indirectly contributed invaluable assistance, cooperation and support in the completion of this research.

ABSTRACT

The aim of this study is to investigate the relationship between Interest Rate, Inflation Rate and Exchange Rate to the FTSE Bursa Malaysia KLCI Index. These studies used Simple Linear Regression and Multiple Linear Regression in order to find the relationship among the variables. The monthly closing price of stock indices, interest rate, inflation rate and exchange rate are collected from 29th January 2010 until 30th December 2015. From the result, it reveals that these entire variables have a significant positive and negative relationship towards FTSE Bursa Malaysia KLCI Large Capital Index. It means that there are interdependencies among these variables. These results further our understanding of the relationship between the variables and should be useful for regulator, investor and speculator.

Table of Contents