THE IMPACT OF OIL PRICE AND OTHER MACROECONOMIC VARIABLES ON MALAYSIA STOCK MARKET

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TERENGGANU

JUNE 2014

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ACKNOWLEDGEMENT

بسم الله الرحمن الرحيم

Assalammualaikum w.r.t.

Praise to Allah S.W.T, the Greatest Creator who gives me the strength and blessing to complete this research proposal.

First of all, I would like to express my deepest gratitude to my brilliant advisor Madam Noorazlina Ahmad for her support, encouragement, ideas, guidance, and so on throughout the preparation of this research. For my second adviser, Miss Nurulashikin Romli thanks for all your support and encouragement.

To my beloved family, thanks for continuous encouragement and moral support from beginning until the end of my study. Special thanks also go to my lectures and to my classmates for their ideas that they had given. May Allah S.W.T reward you all with the best in this world and hereafter

As a final word, I would like to extend my sincere thanks and appreciation to all those names that I do not mention here for their support and made this project paper a success in one way or another. Thank you very much

ABSTRACT

This study is an attempt to determine the impact of the macroeconomic activity with the stock price in Malaysia. It considers the monthly data of the macroeconomic variables that is crude oil price, consumer price index and crude oil price from January 2000 until December 2013. The Descriptive Statistic, Unit Root Test, Lag Determination, Cointegration Test and Vector Error Correction Model (VECM) was used to study the relationship between stock price and the 3 selected macroeconomic variable which are Crude Oil Price(COP), Consumer Price Index (CPI) and Exchange Rate (EXC). In this research, the researcher is using STATA system to run monthly basis time series of data from the dependent and independent variable. In general, all the listed macroeconomic variables are significant at 1% significant level. Crude oil prices (COP) have positive significant relationship towards stock price, while Exchange rate (EXC) and Consumer Price Index (CPI) shows a negative significant relationship with the stock price. The major finding is that macroeconomic variables give an impact to the stock price.