

THE RELATIONSHIP OF KLCI AND FKLI WITH OTHER INTERNATIONAL MARKET INDICATORS

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ABSTRACT

Researcher's main focus is to study the either the lead and lag between cash price index and futures price index or the factors that causes changes between indexes. This study examines the relationship of FBMKLCI Index and FTSEKLI Futures with other international market indicators. This study also tries to determine which has a greater sensitivity between FBMKLCI Index and FTSEKLI Futures. The stock market is represented by FBMKLCI Index while the futures market is represented by FTSEKLCI Futures. Other market indicators are represented by Straits Times Index (FSSTI Index), Shanghai Shenzhen CSI 300 Index (SHSZ300 Index), Nikkei 250 Index (NKY Index) and S&P 500 Index (SPX Index). The result from Granger Causality Test shows that there is causality relationship between FBMKLCI Index and other major international index and other major international indexes also affects one another. Meanwhile, for FTSEKLCI Futures have causality relationship with FSSTI Index and the index also have causality relationship with FSSTI Index. Moreover, FTSEKLCI Futures also have causality relationship with NKY Index and other international index also affects one another. Furthermore, the Johansen Cointegration Test the results both shows that FBMKLCI Index and FTSEKLCI Futures are cointegrated with other market indicators, and they are associated with each other in the long run and would contribute minimal benefits.