



**THE EFFECT OF MACROECONOMIC
DETERMINANTS ON MALAYSIAN STOCK MARKET
PERFORMANCE**

FATIHA TUNNURRAHIM BINTI ABD RAHIM

2012709713

FINAL REPORT

BACHELOR OF BUSINESS ADMINISTRATION

(HONS) FINANCE

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

JOHOR

(DECEMBER 2014)

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Submitted in Partial Fulfilment of the Requirement for the
Bachelor of Business Administration (Hons) Finance

(DECEMBER 2013)



**BACHELOR OF BUSINESS ADMINISTRATION (HONS)
FINANCE**

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

SEGAMAT, JOHOR

“DECLARATION OF ORIGINAL WORK”

I Fatihatunnurrahim Binti Abd Rahim, (911124-01-5966)

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 other degrees.
- This project paper is the result of our independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of our information have been specifically acknowledged.

Signature: _____ Date: _____

LETTER OF SUBMISSION

07 December 2014

Head of Faculty
Faculty of Business Management
Universiti Teknologi MARA
85009 SEGAMAT
JOHOR DARUL TAKZIM

Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “**THE EFFECT OF MACROECONOMIC DETERMINANTS ON MALAYSIAN STOCK MARKET PERFORMANCE**” to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely

.....

(FATIHATUNNURRAHIM BINTI ABD RAHIM)

2012709713

Bachelor of Business Administration (Hons) Finance

ABSTRACT

This paper aims is finding out the effect of macroeconomic determinant on stock market performance in Malaysia. The study is focuses on stock index which is FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBMKLCI). The macroeconomic variables considered are palm oil price, interbank rates (3 month), exchange rates inflation rates and gold prices. The sample of this study comprises of 191 observations each of the independent and dependent variables on a monthly basis over 16 years period from January 1998 to December 2013. Methodology used for this study is by using Multiple Linear Regression with time series data sourced from DataStream and Index Mundi. Thereafter, econometric tests are to be conducted to observe the relationship of the macroeconomic variables to the FBMKLCI. Interactive software package E-view 7 would be used for testing and analyzing the data collected. The study is an attempt to investigate the relationship of the chosen macroeconomic variables towards influencing stock index which is FBMKLCI. Findings from previous research papers mostly on developed markets indicate that macroeconomic variables do play a significant role in the determination of stock returns. The results of this research paper would provide an indicative view and could form an important basis for investors and policy makers in their investment strategies and policy decisions respectively.