



الْمَدِينَةُ الْمَعْلَمَةُ
UNIVERSITI TEKNOLOGI MARA
CAWANGAN KELANTAN

**A STUDY ON CRUDE PALM OIL, RUBBER AND COCOA PRICES
TOWARDS INFLATION, KUALA LUMPUR COMPOSITE INDEX AND
BOND INDEX IN MALAYSIA**

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LETTER OF TRANSMITTAL

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Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached here with, is the project paper entitled “ A Study On Crude Palm Oil, Rubber & Cocoa Prices Towards Inflation, Kuala Lumpur Composite Index, and Bond Index In Malaysia” in fulfilling the requirement by the faculty of Business Management, MARA University of Technology.

I hope this project paper will fit the requirement and expectation of the subject matter. The code for this subject is FIN 660. I would also like to thank for all the guidance and support in this completion of project paper.

Thank you.

Yours sincerely,

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ABSTRACT

This study is aimed to analyze the potential benefits of considering crude palm oil, rubber and cocoa as an alternative investment in a portfolio. This study is conducted to analyze the risk and return of the main commodities that are traded in Malaysia. It is also to study the correlation of its returns with stock and bond as well as its correlation with inflation. This study is also done to know whether the commodities such as crude palm oil, rubber and cocoa could be consider as a part of a portfolio and provide diversification towards the portfolio. From the study, the rubber does provide the highest return other than CPO and Cocoa. Furthermore, cocoa represents the higher risk and higher return assets as compared to CPO that has the highest risk in lower return. The results indicate that the commodities do have weak positive relationships towards KLCI. The negative relationship towards bond index only occurs for CPO and Rubber. Meanwhile the commodity such as cocoa has a weak positive relationship against bond. The study also found that KLCI and Bond index have negative relationships towards inflation whereby the commodities especially CPO and Rubber have positive relationships with inflation. However, Cocoa has no linear relationship against inflation. From the findings, the commodities are better to be hold by an investor with other types of investment asset, due to its higher risk. By using the Sharpe's Index, the commodities tend to stand in the highest ranking as compared to stock and bond.

1.1 CHAPTER DESCRIPTION

This chapter consists of an introduction towards the main commodities traded in Malaysia. This chapter also include the objectives on the topic interest, the problem arises and the scope of the study. This chapter also briefly discusses the significance and the limitations toward the study.

1.2 BACKGROUND TO THE STUDY

Agricultures play significance roles towards the Malaysia economic growth and it was constituted a substantial share of gross domestic product (GDP). The agricultures developed since 1950s and for now on, agriculture production remains important, and maintains a competitive advantage in the production of plantation crops, especially in oil palm. In Malaysia now on, there are several institutions that were established in order to manage the plantation industry especially towards the main commodities such as palm oil, rubber and cocoa. This three commodities board has under the responsibility of the Ministry of Plantation Industries and Commodity (MPIC).