

**“A STUDY ON THE RELATIONSHIP BETWEEN INTEREST RATE,
INFLATION RATE AND EXCHANGE RATE TOWARDS SHARE PRICE OF
COMPANIES UNDER TRADING/SERVICES & FINANCE SECTOR IN
KUALA LUMPUR COMPOSITE INDEX (KLCI)”**

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DECLARATION OF ORIGINAL WORK

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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 my independent work and investigation, except where otherwise stated.
- All verbatim extract have been distinguished by quotation marks and sources of my information have been specifically acknowledgement.

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Date: 29 April 2007

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ABSTRACT

This study is aimed mainly to focus on the relationship between macroeconomic variables such as interest rate, inflation rate and exchange rate towards the share prices of the company under trading/services and finance sector listed on KLCI. The purpose of this study is to contribute further to the literature on stock market with macroeconomic variables linkages for developing economies in Malaysia and forecast the relationship of the variables by developing an equation. In order to measure the relationship between dependent and independent variable, this study observed about 120 numbers of observations in monthly basis data from 1997 until 2006. Multiple Linear Regression model were used in order to analyze the relationship of share prices of the selected company with the interest rate, inflation rate and exchange rate. Thus, the finding from this study shows the independent variables, which are interest rate, inflation rate and exchange rate have significant and insignificant results towards the share price of the selected blue chip companies.