

**AN EMPIRICAL STUDY ON THE INTER-DEPENDENCIES
OF THE KUALA LUMPUR STOCK EXCHANGE
WITH OTHER MAJOR STOCK EXCHANGES**

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ABSTRACT

This research analyze the relationship and inter-dependencies between the Kuala Lumpur Stock Exchange (KLSE) with the major stock exchanges in the world, namely Hang Seng, Australian All Ordinaries, Dow Jones, Financial Times, and Nikkei.

Six variables were identified for this analysis, they are KLSE (as the dependent variable) and Hang Seng, Australian All Ordinaries, Dow Jones, Financial Times, and Nikkei (as the independent variables). The data collected for this analysis is from 1990 to 1994.

The result of this analysis found that the movements in the KLSE indices is influenced by the movements in the major markets overseas. It was concluded that there is some truth or validity in the public or investors belief that the Malaysian market is highly influenced by the major stock markets in the world.

ORGANIZATION OF THE PROJECT PAPER

CHAPTER ONE : INTRODUCTION

This chapter covers the overview of the Malaysian stock market's relationships with the major stock markets in the world. The objective of this study is analyze the validity of the general belief that the performance of the Malaysian stock market is highly influenced by major stock markets overseas.

CHAPTER TWO : LITERATURE REVIEW

In this chapter, previous study on the performance of the Malaysian stock market in relation to selected major stock markets that was done by Dr. Othman Yong of Universiti Kebangsaan Malaysia (UKM) is used as a literature review and as a direction for this research.

CHAPTER THREE : HYPOTHESIS, DATA AND METHODOLOGY

This chapter covers the hypothesis, data and methodology that have been used for this study. Five hypothesis have been identified based on the six variables :-

1. Any movements in the KLSE indices are related to the movements in the Hang Seng indices.