



IMPACT OF MACRO-ECONOMIC VARIABLES ON STOCK PRICES IN MALAYSIA AND PHILIPPINES

SABARIAH BINTI MOHAMED

2013914059

Final Year Project Paper submitted in fulfillment
of the requirements for the degree of
Bachelor of Business Administration
(Finance)

Faculty of Business and Management

OCTOBER 2020

ABSTRACT

The study examines the impact of macroeconomic variables on stock prices in Malaysia and Philippine. This study focuses on Kuala Lumpur Composite Index (KLCI) and Philippine Stock Exchange Index (PSE). Stock markets, where bonds and share are issued and traded through exchanges and over-the-counter markets. Stock markets, are important for the development of an economy. Thus, acknowledge and understand the variables that can influence the condition and performance of the stock market are important to individuals, businesses, and future investors.

The macroeconomic variables that are being utilized in this analysis are money supply (MS), exchange rate (ER), gross domestic product (GDP) and the time horizon of this study is from 1995 to 2019 which is 25 years and the data collection is in a yearly basis. Multiple Linear Regression is used as methodology. The test used includes descriptive analysis, correlation analysis, regression analysis which comprises the T-test, F-test, and R-square. Those are econometric tests that are given to examine the correlation among macroeconomic variables and the stock prices. The outcome of this study is a significant relationship toward stock price in Malaysia and the Philippines. This study can help as a guide to future investors and researchers in acknowledging and understanding the significant relationship impacting on macroeconomic variables and stock prices.

ACKNOWLEDGEMENT

First, I would like to express my gratitude to almighty Allah S.W.T for giving me the strength and ability to complete this challenging research paper. Also, I would like to express the deepest appreciation to my supervisor, Sir Mohamad Azwan Md Isa, for his encouragement and support to me in completing this report and made this project realizable.

I would like to take this opportunity to thank all of the lecturers for their support. A special mention goes to Coordinator iNED, Madam Nor Fazlin binti Uteh for the continuous encouragement and advice during my research preparation.

To my friends, Azyyati Buang, and Nur Syafiqah Razali for their help and ideas always encourage me to complete this task. Last but not least, I would like to express my deepest gratitude to my parents, my husband and friends for fully support my passion through completing this thesis.

Thank you.

CHAPTER 2 LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Empirical Literature	8
2.2.1 Money Supply	8
2.2.2 Exchange Rate	9
2.2.3 Gross Domestic Product	9
2.3 Theoretical Framework	10
2.4 Summary	11

CHAPTER 3 RESEARCH METHODOLOGY

3.1 Introduction	12
3.2 Sample of Data	12
3.3 Data Collection	12
3.4 Variables	13
3.4.1 Dependent Variables	13
3.4.2 Independent Variables	13
3.5 Research Hypothesis	13
3.6 Econometric Method	14
3.6.1 Descriptive Analysis	14- 15
3.6.2 Stationary Test-Augmented Dickey-Fuller (ADF) Unit Root Test	15
3.6.3 Correlation Test: Co-variance Analysis	16
3.6.4 Regression Analysis: Multiple Linear Regression Model	16
3.6.5 F-Test	16
3.6.6 Coefficient of Determination (R^2)	17
3.6.7 Adjusted R-squared (R^2)	17
3.6.8 Test on Assumption	18
a) Normality Test	18
b) Auto-correlation	18
c) Heteroskedasticity	18
d) Multicollinearity Test	19
e) Ramsey	19
3.7 Summary	20

HAPTER 4 RESULT AND DISCUSSION	21
4.1 Introduction	21
4.2 Descriptive Analysis	21-22
4.3 Unit Root Test	23-24
4.4 Correlation Analysis	25
4.5 Multiple Regression Analysis	26
4.6 Normality Test	29
4.7 Auto-correlation	31
4.8 Heteroskedasticity Test	31
4.9 Multicollinearity Test	33
4.10 Ramsey Test	34
CHAPTER 5 CONCLUSION AND RECOMMENDATION	35
5.1 Introduction	35
5.2 Conclusion	35
5.3 Recommendation	36
5.3.1 Add More Countries	36
5.3.2 Add More Macroeconomic Variables	37