UNIVERSITI TEKNOLOGI MARA

FACTORS OF AFFECTING EXCHANGE RATE MOVEMENT IN MALAYSIA

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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA Johor. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

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ABSTRACT

In Malaysia, the ringgit came under speculative attack and also declined significantly that would cause the capital account had not liberalized and suffered a contraction a gross domestic product growth. The financial crisis began after the Thai currency was floated which cause the depreciation of Baht and other Asian cash including Ringgit successively. Beside, this paper concern about the factor affecting exchange rate movement in Malaysia with involve the various macroeconomic indicator which are stock return, money supply, merchandise trade and government debt covering the period between 1987 until 2016. To identify which macroeconomic factor variable that could give a big impact toward exchange rate movement is one of the objective of this study that need to accomplish and this research will be guided by research question to determine the relationship between macroeconomic indicators towards volatility of exchange rate in Malaysia. The annually data were collected from several sources which are DataStream and World Bank source were chosen among the influential variable based on the previous research of this study. This paper use E-View approach to test the variable which are descriptive statistics, stationary and unit root test, regression analysis,hyphothesis test, and test on assumption. There are some previous researcher studied on factors that affecting exchange rate fluctuate stated the exchange rate is adversely connected with stock return. On the other hand, merchandise trade, money supply and government on external debt has positive relationship with exchange rate movement in Malaysia. Hence, this study show result that Trade,Money Supply and Debt are positive relationship while return index has a negative and significant relationship.

TABLE OF CONTENT

LIST OF TABLES