



**THE INFLUENCES OF MACROECONOMIC VARIABLES
TOWARDS MALAYSIA STOCK MARKET**

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ABSTRACT

Global financial crisis gives a significant impact to the rest of the countries especially developing countries like Malaysia. During financial crisis, Malaysia economy and stock market not performing well as United States economy slump to the worst financial crisis after the most worst financial crisis in history the great depression in 19th century. Global financial crisis lead to Malaysia stock index to fall and economy performance to slow down into negative economy performance. But with government initiatives and policy improvement, Malaysia economy continue to recover from the financial crisis. Hence, this study was conducted to investigation the impact of global financial crisis to the Malaysia stock market by depending on selected macroeconomic variables. For research methodology, ordinary least square (OLS) method were conducted to examine the relationship between variables. Regression analysis was used to conducted and determine the relationship with Malaysia stock market. There a few other tests such as unit root test, heteroscedasticity, Ramsey reset test and so on were conducted in this research. This study shows that all of selected macroeconomic variables that is Gross Domestic Product (GDP), Consumer Price Index (CPI), Interest Rate (IR), Oil Price (OP) and Exchange Rate (ER) are have significant relationship with the dependent variables that is Kuala Lumpur Composite Index (KLCI). The regression model also is no serial correlation model, homoscedasticity model, no multicollinearity but for Ramsey reset shows that test for the regression model is miss-specified.

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CHAPTER 1: INTRODUCTION

1.0 Introduction

This chapter will discuss on the background of this study, the problem statement for this study, the research objectives and research questions to be achieved and answered towards the end of this study, the significance of carrying out this study and the scope covered by this study. This paper attempts to study on the relationship between the Malaysia's stock market, known as the Kuala Lumpur Composite Index (KLCI) and the macroeconomic variables selected for this study, during the period of the global financial crisis in the year 2007 up to the year 2008. These macroeconomic variables are selected based on the impact of the variables itself towards the performances of Malaysia's stock market. The background of this study will touch a bit on the dependent variable and the independent variables selected to carry out this study. The dependent variable selected for this study is the Malaysia's stock market (Kuala Lumpur Composite Index) whereas the independent variables selected includes the gross domestic product (GDP), consumer price index (CPI), interest rate (IR), oil price, and the exchange rate (ER). To add, this paper also attempts to examine the crevice of the issue specified in the problem statement of this study.

Moreover, the research questions for this study are related to the theoretical framework of this study. These research questions are categorized into two, where the first category refers to the main research question of this study and the second category